

# NEW TRENDS IN SOCIALISM

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With a preface by  
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by

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## FOREWORD

EACH of the contributors to this symposium is responsible solely for his own contribution, and not for the contributions of his associates. It is, nevertheless, believed by the contributors, members of the British Labour Party, that they have a certain community of suppositions and outlook which may enhance the value of this volume. Certainly the customary objection to symposia—that they could have been better written by one hand—does not here apply, first, because no single writer could satisfactorily have covered the present field of discussion, and, secondly, because political action is born, not of the literary talent of any individual, but of the consensus of opinions. The consensus here reached differs in some respect from that which at the present time generally obtains either in the British Labour movement or in continental Socialism. As such, it may be described as expressing a new trend that may perhaps have an effective appeal for the British people and, not least, for the post-war generation.



## PREFACE

BY THE RT. HON ARTHUR HENDERSON, P.C., M.P.

THIS book is the work of contributors most of whom are younger members of the Labour Party. Several of them are Parliamentary candidates; others hold academic posts of distinction. Their approach to the problems of the hour and to the more permanent and obstinate problems that confront us to-day and will confront the coming generation, has a value that must attract attention. It has also an importance that must attach to unofficial views that give a clue to future trends of political thought and action in the country.

The contributors make no claim to put forward any common or group programme other than that of the party to which they all belong. It is nevertheless possible to detect in what they say a certain similarity of outlook and faith which makes one confident not only of the vigour of Socialist thought among the younger generation in this country, but that this thought will have distinctive characteristics when compared with that of the Continent and especially of Eastern Europe. There is a British political principle of freedom, experiment and social justice which these writers emphasise. They cannot be accused, when they do so, of being out of touch with the thought of the oncoming generation. British electors will do well to give attention to the full significance of that fact for the future course of politics in this country.

The period since the war has been one of political reaction, economic anarchy and social deterioration on a large scale. It has seen the establishment of aggressively

reactionary Governments in country after country, and the progressive menace to the security of world peace, for the achievement of which millions perished twenty years ago. If this retreat of civilisation is to be arrested, it must be by a change of ideas united with effective political organisation and courageous leadership. It is the ideas of militarism, dictatorship and class rule that must be exposed for their inherent selfishness and inhumanity. These are the ideas which frustrate mankind in their patient strivings to secure conditions of security and happiness.

Rapid and far-reaching change in this country is not only desirable: it is inevitable. But change must not be in the direction and of the kind which has brought bitter disillusionment and stark tragedy to some of the nations abroad. We must move forward, not backward. The supreme test which bold ideas and courageous action to secure rapid results must satisfy is whether they will extend the boundaries of human freedom; whether they will give to the people increasing opportunities to live their lives in conditions of peace and security and to satisfy their material and cultural needs, whether they will speed the progress towards a New Social Order in which there will be liberty and equality for all its members. Much will depend, not only for itself but also for the future well-being of the people of the world as a whole, upon the course which the British nation decides to follow in the years immediately ahead. Upon us, more than upon any other nation, rests the future of Democracy, the method of government by consent which it cherishes, political liberty which it ensures, racial equality which it proclaims, religious tolerance which it fosters, and the power to achieve social justice and economic freedom which it possesses. The more intelligently active Democracy is and the more efficiently its institutions are made to function, the more surely and rapidly will Socialism be achieved.

If this book were an exposition of official party policy

there are perhaps some details which I should consider it necessary to state rather differently, and there are some changes of emphasis that I should also think it desirable to make. But the book does not purport to be a statement of the official programme of organised Labour, but a free discussion of the trends and tendencies of thought among the younger people in our movement. As such it is significant. It is altogether to the good that freedom of discussion, and an individual approach to problems of doctrine and practice in a movement such as ours, can be fostered as compatible with essential loyalty to the aims and discipline of political and industrial fellowship. Policy, in a democratic movement, is defined and enforced by representative assemblies; but policy in the making is the product of free thought and open discussion. On that account I welcome the publication of this book, without necessarily affirming my acceptance of all that its contributors have to say about our objects, methods and aims.



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# I

## THE COLLAPSE OF LIBERALISM

By IVOR THOMAS

IVOR THOMAS is to be Sir John Simon's opponent in the Spen Valley division of Yorkshire. He is a member of the Fabian Society Executive Committee and of the Advisory Committee on International Questions to the Labour Party Executive. Has had excellent opportunities for studying Liberalism as a Gladstone Research Student at St. Deiniol's Library, Hawarden. Educated at Oxford, where he was a Scholar of St John's College and a Senior Demy at Magdalen. His First Class in Mathematical Moderations was followed by a First Class in the Final Classical School (*Lit Hum*) and by a number of University prizes and scholarships in theology. He obtained a "Blue" for athletics, winning the Three Miles against Cambridge, and is an old Welsh cross-country international runner. Publications include: *Coal in the New Era*, a study of the coal industry's future, which is being translated into Spanish, and *Communism and Religion*. Is now engaged on a translation of Greek mathematical writings for the Loeb Library. Edited *Church and Slum* throughout its career.



# I

## THE COLLAPSE OF LIBERALISM

On a July morning in 1932 the drab and comfortless platforms of Waterloo Station presented an unwontedly animated scene. Porters jostled among the throngs of travellers and friends, and the great rounded roof threw back in a confused hum the volley of cheers and good wishes. As the hands of the clock drew nearer to the hour, a semblance of order emerged out of the medley scene. There was a division to the right and to the left. Both the departing trains were labelled "Empress of Britain," but one was taking the athletes for the Olympic Games at Los Angeles, the other was conveying the British delegates to the Imperial Conference at Ottawa.

Fate had ironically arranged that these two teams should leave together, as if to make them symbols of the old order and that which had supplanted it. For the athletes, about to meet in the fierce competition of a Californian arena the challengers of all nations, trusting to their merits alone and scorning adventitious aid, were a not inapt symbol of that Liberalism which for several generations before the War held almost unchallenged sway over the minds of Englishmen and in a lesser degree over the whole world, while the delegates to the Ottawa Conference represented the most crushing blow which the cause of Liberalism in Great Britain had as yet received, a blow which it will take many years to repair, and which Liberals as a party are unlikely to survive. Once more the Tory Party

had decked herself in the "rags and tatters" of Protection, from which Disraeli had sought to strip her, and was flaunting her meretricious adornments in the eyes of every industrialist and farmer who, though perhaps admitting the evil of economic prostitution on the large scale, was not averse from securing temporary satisfaction for himself. The unscrupulous but perspicacious Israelite who guided the Tory Party through Victoria's reign had pronounced Protection "dead and damned," but Mr Neville Chamberlain had resuscitated the corpse and absolved it from its sins. The extent to which he was able to do so is a measure of the collapse of Liberalism in this, of all countries, whose conditions of existence had been thought to give the case for Free Trade a peculiar degree of certainty.

The achievement of this economic revolution is a lamentable story of political dupery in which the remnants of the Liberal Party were outgeneralled and outwitted at every turn. Disraeli was right in calling Protection "rags and tatters," but when they were torn off, the Tory Party had nothing at all to cover her naked person; for the big stick of Imperial Defence is no substitute for clothing. Throughout this century in her nakedness the Tory Party had been hankering for her old "rags and tatters," but each time she asked the electors for them the country sternly bade her begone. What she was unable to obtain by straightforward means she secured by the most stupendous fraud in the long history of British politics. Of the provocation of a financial crisis by obstinate adherence to a pound over-valued in terms of gold, this is not the place to speak; nor of the devious intrigues by which a handful of renegade Socialists and misguided Liberals found themselves at the head of a rabble of Tory members, insolent in their success and determined to get their ends while power was in their hands. But mention must be made of Mr. Baldwin's repeated assurance that tariffs were not an issue at the election; and

to the later assurance by the Government that tariffs would be instituted, if instituted at all, only after an "impartial and scientific" inquiry. Such inquiry was never made, but the British citizen, in the graphic words of Sir Herbert Samuel, now has tariffs from "cradle to coffin." Sir Herbert Samuel should, however, be the last person to draw attention to such a fact, for he must bear a great deal of responsibility for it. Mr. Lloyd George had warned him, for in 1931 the wizard of British politics knew, what he seemed to have forgotten in the spring of 1935, that the Tories will take an ell if given an inch. But the Samuelites greatly helped in the formation of the so-called National Government, and must to a material degree be held responsible for the consequences. Mr. Lloyd George came out of 1931 with clean hands; all other Liberal leaders have a stain which the sweetest of taxed perfumes will never wash away.

This division in the leadership of the Liberal Party is further proof of the collapse of Liberalism in this country as well as, in some measure, the cause of it. The pure white of Liberal leadership under Mr Gladstone has disintegrated into the red of Mr Lloyd George, the green of Sir Herbert Samuel and the blue of Sir John Simon, nor does there seem to be any prism which can reunite these vivid but conflicting primary colours.

The collapse of the British Liberal Party might in itself be a small and reparable thing. After all, the Tories could have returned to Westminster in 1906 in a brace of omnibuses, whereas now they would need a fleet. Something more than the collapse of the Liberal Party is involved; we are witnessing the death of Liberalism as an idea. Now, ideas are the most potent forces in the world, and the passing of Liberalism is an occasion more solemn than usual. For Liberalism is more than the idea which has animated the Liberal Party in this country. It has been the mainspring of most human progress since the Renaissance. To an increasing

number it is becoming clear that an age which began about 1450 reached its close in the mud and blood of Flanders between 1914 and 1918. There is much truth in the Hegelian analysis of European history. The Middle Ages, resting on authority and faith, presented a thesis. To this the Modern Age, libertarian and rationalistic, opposed an antithesis. There is good evidence for the view that the age into which we are now passing will be in some ways a synthesis of the Middle and Modern Ages. The change has been a long time a-coming, to those who have eyes to see. Society is never static, and the Modern Age had no sooner reached its full stature in the Industrial Revolution than there came, in the Romantic Movement, a conscious desire to revert to the Middle Ages. This movement laid the foundations of a great Catholic revival, most pronounced in England, but extending over the whole of Europe. In economics the old order of unfettered individualism began to crumble about the same time when the right of working-men to combine was recognised; the later years of the century saw a tremendous growth of Municipal Socialism under Fabian inspiration, and towards the close of the century a Liberal leader had to confess, "We are all Socialists now." The Great War hastened the process. This period of change, when the old order gives place to the new, is very disturbing. The years 1300-1600, within which the change from the Middle Ages to the Modern Age was completed, were a time of great upheaval, and for all the efflorescence of genius therein they hold much that one could wish blotted out for ever. In the same way the years 1800-2000, in which the present transition may perhaps be effected, are a stirring period in which to live—an age of great geniuses, but an age with many deplorable features. In particular, we must regret that the revolt from Liberalism has for the moment led to a return, not to the best features of the Middle Ages, but to the worst—not to the reasoned

faith of St. Thomas Aquinas, the gentle humanitarianism of St. Francis of Assisi and the nobility of Dante, but to the irrationalism, the bloodshed and the fanaticism of mediæval times. Herr Hitler and his frenzied lieutenants have, unfortunately, their counterparts in the Middle Ages. But even behind their brutalities is a striving for that unity which the Middle Ages almost achieved. This striving finds a more effective expression in the League of Nations, and the Covenant of the League is as truly the foundation text of the new order as Luther's Wurttemberg theses were of the old. When the transition has been completely effected, our descendants will probably be grateful, but for the moment there is confusion. The world is in travail with a new order, and has not strength to bring to the birth.

During the past century of British history, the Liberals, like the Whigs of earlier days, represented the true spirit of the age. But they were not allowed to give free expression to that spirit. Into the Modern Age there had obtruded a curious survival of medievalism, hoary with feudal prejudices. Need I say that I refer to the Conservative Party? If this comparison be thought unjust, place Lord Lloyd in a suit of shining armour, and consider how well he fits in with the Middle Ages; or envisage Mr. Churchill jousting at some medieval tournament; or imagine Lord Londonderry drawing a valiant long-bow for the honour of this noble and puissant nation; or picture Mr. Baldwin making and unmaking kings silently behind the feudal scene.

The most fundamental difference between the Liberal and Tory Parties, though not perhaps the most obvious, is that the Liberal Party rests on individualism and reason, while the Tory Party rests on authority and instinct. The Liberal Party gives political expression to the Reformation doctrine of the right of private judgment. There is nothing surprising in the close alliance which existed from 1850 to 1914, but has now



dissolved, between the Liberal Party and the Nonconformist Churches, nor in the multitude of conflicting Liberal counsels, to which the right of private judgment, in politics no less than in religion, must inevitably lead. But, it may be objected, there is also a bitter feud in the Tory Party. There is truly a feud, but it must not be exaggerated. It is over India. Were the "rights" of property seriously threatened, the Tory ranks would close with a snap, and the brothers Clifton-Brown would walk arm in arm into the division lobby while Mr Baldwin and Mr Churchill made way for each other. To a man they would follow Mr. Baldwin's celebrated instinct, which is unerring on this question.

Let not Mr. Baldwin's instinct be despised, for he is the greatest leader whom the Tory Party has ever followed, and his instinct is his greatest asset. It is true that his instinct was not of much use in funding the British debt to the United States, and, indeed, in financial and economic questions Liberal reasoning has generally been preferable to Tory feeling. But Mr. Baldwin's instinct is unrivalled in detecting what is to the ultimate advantage of the Conservative Party, and not least in knowing precisely when and how much to concede. Mr. Baldwin's instinct in 1931 led to the greatest Tory triumph in British history. We do wrong to think of the Tories as the stupid party. They are, as 1931 showed, unbelievably astute, but it is not with the cleverness of reasoned argument. Tory arguments, judged from the logical standpoint, are generally contemptible, or rather worse than contemptible: they are negligible. But the Tories are nearly always wise enough to leave theorizing severely alone, and to content themselves with knocking down the skittles provided by their opponents. In any emergency, for all their apparent lack of previous thought, the Tories nearly always know how to act to their best advantage. How the Tories will act on

any particular occasion is incalculable—and at a first glance, as in granting the “flapper” vote or serving under an allegedly Socialist Prime Minister, their action may, to a reasoning mind, seem the opposite of advantageous—but in the long run they will always be found to have taken the course of action best suited to conserve their own interests.\* The Tory Party, then, is essentially an unreasoning party, led by instinct and feeling, Tory minds cannot be swayed by argument, but are enslaved to mystic conceptions and consecrated shibboleths

The Liberal Party, on the other hand, pins itself on reason. It has always trusted to getting its case accepted by convincing the electorate with reasoned arguments. And because the whole electorate is not ready to be convinced by reasoned arguments, it has fought continuously for the education of the masses and the freedom of the Press. In these objects it achieved a tremendous success. But the War called a rude halt to this process of educating the masses by school and Press, and to-day the voice of reason is little heeded. This is an age of irrationalism—of Freud, Adler and Jung in psychology, of Buchman, Barth and Otto in religion, of Pound, Epstein and Stravinsky in the arts. Politics cannot be indifferent to this general lapse from the rational, and so Germans ask to be told what to believe, instead of finding out for themselves, while Englishmen place themselves under the Socratic *daimonion* with which Mr Baldwin seems to be credited.

The second pillar of Liberalism is freedom, and it may, indeed, as the name suggests, be regarded as the first, for reason is unavailing save in an atmosphere of freedom. One of the most tragic discoveries of our

\* An excellent example of the Tory instinct is given by the way in which the upper classes are now insinuating themselves into the police and the B B C, because they unerringly perceive that control of these institutions will be essential, in any future crisis, for the preservation of their interests.

age is that the Press and the school, the very instruments by which Liberals sought to extend the sway of reason, can be so monopolized as to be the most effective means of propagating any desired set of ideas. Russia, Italy and Germany are all guilty of this cardinal sin against human nature. The Liberals confidently trusted their case to reason, and believed that the spark of truth would fly forth from the clash of opposed leader-writers or the debates of rival teachers. But the scheme breaks down when leader-writers merely play a variation on a prescribed theme and teachers teach to order.

The same phenomenon is seen in the economic sphere, where the distinctive genius of Liberalism found expression in the twin doctrines of *laissez-faire* and Free Trade. It is true that many Liberals would now try to dissociate themselves from the former, and would rightly point out the laws which Liberals have made for the regulation of labour conditions. But they would omit to mention the pressure from below under which Liberals made these laws, and *laissez-faire* is so integral to the Liberal creed that it cannot be omitted.

How integral to the Liberal creed is the principle of non-intervention by the State in economic affairs may be seen from Mr Gladstone's Budget speeches, those models of oratory and exposition, where it is perfectly obvious that his ambition was to reduce State activity to a minimum. Clearly he subscribed to the doctrine that the most the State should do was to keep the ring between employers and employed. The necessity of balancing the Budget dominates Mr. Gladstone's financial statements. But the necessity of balancing a Budget is an elementary principle which should need no emphasis. The important question is the figure at which the Budget balances, and Mr. Gladstone's great aim was to make the budgetary equation as near to  $0 = 0$  as possible. This is the only conclusion which can be drawn from his avowed intention to cut indirect

taxation to a minimum and his simultaneous hope of abolishing direct taxation.

In no field have Liberal hopes been so dashed by events as in economics. The Ottawa Conference has already been mentioned as inflicting the cruellest blow on the Liberal conscience. We all remember the spate of oleaginous and nauseating oratory with which the "spirit of Ottawa" was applauded. But what did the "spirit of Ottawa" mean in practice? Australia had to be guided by the spirit of Articles 9 and 10 of her agreement, for the letter of the articles was hopelessly vague; she interpreted that spirit by clapping prohibitive duties, up to 100 per cent., on certain types of cotton goods from Lancashire. And this, not among foreigners, who are considered fair game, but between a daughter and a mother country<sup>1</sup> Truly, another Ottawa Conference might mean the disruption of the British Commonwealth.

Space would lack to tell of the tariffs, quotas, levies, regulations and subsidies by which world trade is being strangled in defiance of Liberal principles, or of the almost complete breakdown of the international exchanges. Nearly every country in the world, in greater or less degree, is aiming at economic self-sufficiency, an ideal which to the Liberals of the nineteenth century was unspeakable folly. All principles of sound economics are being thrown to the winds, and nations are trying to produce at home at great cost what could be cheaply imported. This folly is being committed mainly for the sake of military security, and here is further proof of the complete abandonment of Liberal principles throughout the world. Reason and freedom are the true foundation-stones of Liberalism, but they do not make a good election cry. Liberals have from time to time had different rallying cries, but from the "Peace, Retrenchment and Reform" of Mr Gladstone to the "Peace, Liberty and Social Justice" of Sir Herbert Samuel there has been one common and predominating

factor. The Liberal Party is a party of peace, but the world is again in the penumbra of war. From his first appointment as Chancellor of the Exchequer to his final retirement from public life, Mr Gladstone fought magnificently against the forces urging that competition in armaments which can result only in war; his final retirement, in fact, was due to his refusal to participate "in a policy that will be taken as plunging England into the whirlpool of militarism." There speaks the authentic voice of Liberalism through its greatest prophet Mr. Gladstone's forebodings proved only too accurate, for the arms race of 1894 led directly to 1914.

This raises another question of pertinence to an inquirer into the collapse of Liberalism. If Liberalism had always been true to itself, it would not to-day be so widely discredited. A false step, a very false step, was taken in 1894. Sir Edward Grey's vacillation which precipitated the Great War was a further abdication of the Liberal mission in the cause of peace. But the man who is most responsible for dragging the name of Liberalism into the mire is Sir John Simon.\* All that Liberalism has held most sacred he has thrown overboard, retaining only the name. His speech in the House of Commons on November 8, 1934, against State control of the manufacture and trade in arms was the nadir of the Liberal Party, and shocked even the Tories in a cynical House of Commons. Nothing could be more conclusive proof of the bankruptcy of present-day Liberal leaders, whom the world has rejected because they have been untrue to themselves. The collapse of Liberalism is indicative to some extent of a moral decline in Liberal leadership.

\* These words, and indeed the whole essay, were written long before I had the honour of an invitation to contest the Spen Valley division against Sir John Simon. I have seen no reason to alter them, since truth is unaffected by contiguity, and it is not possible to discuss the collapse of Liberalism without mentioning Sir John Simon.

Not only have Liberals been untrue to their historic mission, but their vision has also been unduly limited. Looking back on the Tory-Liberal struggle, we can now see how little the general body of the nation was affected. It now appears largely as an opposition of landed and commercial interests, which provides a further correlation between the Tories and the Feudal Age, and between the Liberals and the Capitalist Age. The arguments for Protection and Free Trade advanced on either side coincided to an uncomfortable degree with individual interests. The canker of commercial interests has always been nibbling at the fair flower of Liberalism and preventing its growth into perfect beauty.

It is now possible to evaluate the function of Socialism in face of the collapse of Liberalism. As has been explained, the collapse of Liberalism is a world phenomenon stretching from China to Peru. At a first glance this might be interpreted as a general resurgence of Conservatism. But, if the above analysis is correct, this would be an error in perspective. It would be to interpret the recession of a single wave as evidence that the tide was flowing out, when an hour's wait would show that it was strongly flowing in. Something bigger than the mutual advance and retreat of Liberalism and Conservatism is proceeding before our eyes. It is the synthesis of both Liberalism and Conservatism in something far greater. The first steps in a synthesis always appear as a retreat to the thesis. Because Liberalism, which was the dominant creed of the world until the War, has now collapsed, there seems to us a resurgence of Conservatism. But this will be seen to be merely temporary when the great tide of Socialism sweeps both creeds from the scene. In the twenty-first century of our era Liberals and Conservatives will be as anachronistic as feudal barons in the seventeenth.

If it be true that the world is entering a new age

whose dominant political and economic form will be Socialism, may we be permitted to guess what it will be like? The synthesis in a dialectical triad combines the strength of thesis and antithesis and eliminates their weaknesses, in addition to presenting entirely new elements. The thesis and antithesis both contain positive and negative elements; the synthesis is wholly positive. Thus we may safely predict that in a Socialist commonwealth the Conservative emphasis on the function of the State will be adopted, but immeasurably deepened and enriched. The old Liberal idea that the State should confine its activities to a minimum has long since gone by the board, abandoned by the Liberal politicians themselves, and can never be recalled. But the full Socialist State has not yet been seen, and it must be admitted that the intervening period is most disturbing in the field of economics. Liberal economists, such as Mr F. W. Hirst and Professor Robbins, adduce the present economic disorder as proof of the evil effects of State intervention. But that is not so, it is proof merely of the disturbed nature of a period guided by no fixed principles. The Liberal has a definite canon by which to judge policy, all things being summed up in the law of supply and demand; so has the Socialist, whose every action is guided by the consideration, "From each according to his ability, to each according to his need"; but in between comes a period of fluctuating and uncertain principles. The present British Government, for example, is being pulled by Mr. Elliot and other members of the Cabinet in opposite directions.

On the other hand, the Socialist synthesis will include the positive elements of Liberalism. In the civic field this will mean the adoption, with a new significance, of the Liberal emphasis on the value of personality and the necessity of freedom for its development. The Liberal doctrine of "one man, one vote" is the political reflexion of the Christian emphasis on the infinite value of every

human soul, and both will find a place in the Socialist synthesis. In the economic field, it is true that freedom cannot be extended to trade in the sense in which Free Trade was formerly understood, for the State must play an increasing part in industry and commerce. But if the mind is cast back, it will be found that the term "Free Trade" did not so much indicate the freedom of the trade as the soundness of the economics. In the historic struggle over Free Trade, whether in the eighteen-forties or the nineteen-thirties, what the Tories have sought has been taxation of foreign goods so as to allow the home producer to place on the market goods which he would not otherwise be able to produce. What the Liberals sought was that each country should produce the goods which it was most fitted to produce, and should not try to produce at home goods which were better imported. Free Trade was merely an automatic way of securing this end, and the end, which may simply be called sound economics, will be wholeheartedly endorsed by the Socialist State. The fact that the State will itself be deeply involved in trade, with a monopoly in certain directions, will not make any fundamental difference to the principles which must govern all trade.

In view of the labours of Mr. Henderson at Geneva and the last Labour Party Congress, it is almost superfluous to point out that the Socialist synthesis will include and enrich the Liberal emphasis on peace. Let it simply be pointed out that this is part of the general Socialist faith in the reign of law as opposed to the Tory trust in force, and let the identity of Socialist and Liberal aims in this respect be shown by a quotation from Mr. Gladstone's words in 1868, when he saw "a new law of nations gradually taking hold of the mind and coming to sway the practice of the world; a law which recognizes independence, which frowns upon aggression, which aims at permanent and not temporary adjustments; above all, which recognizes



as a tribunal of paramount authority the general judgment of civilized mankind ”

Finally, it may be pointed out that whereas the Tories represented the landed classes and Liberals the commercial classes, Socialists can have no allegiance except to the whole commonwealth. It is true that the Socialist Parties throughout the world at the moment may appear to be representing certain classes more particularly, but that is because the common weal demands that they redress the balance of centuries from which these classes have suffered. When the balance has been redressed, and a classless society achieved, the Socialist Parties will stand out clearly as guardians of the interests of the whole State

We are in the midst of a transition to a new age. Faced by the wreck of their hopes and organizations, what are Liberals to do? Surely it is for them to recognize the inevitable march of destiny, and throw in their lot, whether by close co-operation or formal adhesion, with a body which has conserved all that was valuable in their creed, and is gathering itself anew for the fulfilment of its historic mission. Ultimately the question is one of courage, to which the Platonic Socrates, in a subtle analysis, once reduced all virtue. How long is the Liberal Party to stand halting on the brink while the Socialist plunges in to the rescue of society and the Tory watches from the security of his walled estate? The Liberal Party may yet save its soul by finding it in the Socialist movement. There are three good reasons why it should do so; they are “Peace, retrenchment and reform.” Is peace likely to be obtained from a party which has just secured big increases in armaments and is clamouring for more? Can the wise spending of public money be anticipated from a party which is swelling the Service estimates and squandering the public purse on uneconomic experiments in agriculture, largely, it is to be feared, as a bribe to the country constituencies? And is reform

likely to be won from a party whose mind is still pre-1832 and perhaps pre-Renaissance? There is, however, a party which claims these fundamental tenets of Liberalism as its own. The Labour Party comes not to destroy, but to fulfil, the Liberal creed which is now passing from the scene.



## II

### SOME ELEMENTARY PRINCIPLES OF SOCIALIST FOREIGN POLICY

By R. H. S. CROSSMAN

R. H. S. CROSSMAN Born 1907. Educated at Winchester and New College, and now Fellow and Tutor of the latter Lectures on Moral and Political Philosophy First real contact with politics when living in Germany during 1930-31. Since then has made a special study of the rise of Fascism and of the possibilities of countering it by a Socialism which is at once militant and democratic. Has broadcast and written a good deal on German affairs Is active in the Workers' Educational Movement and in the Oxford University Labour Party



## II

### SOME ELEMENTARY PRINCIPLES OF SOCIALIST FOREIGN POLICY

§ 1 *Socialism under the protection of the National State.*  
Nothing has been more striking in the history of European Socialism than the contrast between the scientific realism of its home policy and the sentimentalism of its attitude to foreign affairs. Whatever the brand of doctrine, be it Communist, Social-Democrat or homely Labour, this contrast is always to be found, and any attempt to answer the question "What should be the foreign policy of a Socialist Government in England?" is useless, unless we take the preliminary step of asking ourselves why Socialist foreign policy in the past has assumed such multifarious and fantastic forms.

It should be remembered that English Socialism—like German Social-Democracy—grew up under the firm protection of the national state. For all its pretensions to internationalism, it was a movement of the English working classes for an amelioration of their lot. The eyes of the Labour Party and its middle-class sympathizers were naturally fixed upon England, and especially upon the industrial problems of England. Their aim was a solution of those problems which would afford security and equality of opportunity for the industrial workers. Under the protection of constitutional government the working classes were able to put their claims in parliament, and organize their Trades Unions outside, and in the early years the Socialist paid scant attention to the relations between the National State which he was

to reconstruct from within, and other national states outside it. Speculations on foreign policy were left to those intellectuals who happened to have travelled abroad. The party hardly bothered its head about it, relying on the Government and the governing classes, who monopolized the Foreign Office, to continue the traditional policy which had served us so well for three hundred years.

Up till 1918 English foreign and colonial policy made little or no pretence of being democratic. It was left to the experts to work the Entente Cordiale, and many members even of the Cabinet were unaware of its existence years after it had been made. The Labour Party, too, which before the War never envisaged the possibility of attaining power, was strictly and severely an opposition party within the framework of the National State, concerned only with its domestic problems, and not even with all of them. The same is in the main true of Continental Social-Democracy. The only difference was that a great deal of talking was done (especially by Germans) about the international solidarity of the proletariat and the seizure of power by the workers. But not many Social-Democrat leaders ever seriously thought of "seizing power": only a few ever denied the necessity for "national defence," and not a single one ever grappled with the problem of the relations between Sovereign State and Sovereign State. Would not all such problems disappear when the World Revolution did arrive? And until it put in an appearance, the Social-Democrat could busy himself with the day-to-day needs of the working classes.

We may put this point in another way. Up till 1918 foreign policy was admittedly in the hands of the Foreign Office, the Generals and the Admirals. It was they who saw to it that this England continued to exist, and that those Empire communications were maintained without which there would have been no economic system for the Socialist to reconstruct. Just as the fierce revolutionary

armies of the Fascist and the Communist can only wave their banners under the solicitous protection of the police, so the Socialist plans for building Jerusalem in England's green and pleasant land all presupposed the existence of a very unsocialist Army and Navy and a very unsocialist foreign policy. A comparable simple fact was brought to the notice of the German Social-Democrats in November, 1918. Suddenly the protection of the Government they had fulminated against for fifty years was removed: over-night they became the Government and discovered two things. (1) that a Government needs military force, and that even a Socialist cannot do without generals and officers, (2) that foreign policy is an expert job, for which trained diplomats are necessary. These two things still await discovery by most English Socialists.

Granted their truth, however, two conclusions of vital importance become clear. (1) a Socialist foreign policy must be one which will at least not nauseate any available staff of the War Office and the Admiralty, and (2) a Socialist Government must *either* re-staff the Foreign Office with its own experts or acquiesce in the traditional methods and technique of British foreign policy. Any policy which does not recognize these two principles is sentimental Utopianism.

In the years immediately succeeding the War the first wave of this Liberal Utopianism swept over the victor countries. The world had been made safe for democracy. President Wilson forthwith inaugurated the era of democratic foreign policy and open diplomacy. The first child of these two was the Treaty of Versailles. The Utopians made the best of this difficult baby and turned their attention—or rather their enthusiasm—to the League of Nations. They still pinned their faith on open diplomacy, however, and the day of conferences dawned. It was to be the democratically elected ministers, not the effete diplomats, who were to rebuild Europe, and they were to take counsel in open conclave.



The peoples of the world, whose eyes until then had been carefully kept from the sphere of international relations, were now to instruct their leaders in the right way, and the general will was to rule in foreign affairs. The result was a welter of conferences statesmen communicated daily platitudes to the peoples of the world and, meanwhile, behind closed doors the old business of diplomacy continued, much hampered by the tactlessness and "democratic responsibilities" of the peoples' leaders. It is to be noticed that the conquered countries did not share in the general contentment at the first results of the new era, and that Russia cared for none of these things.

The second wave of Utopianism arrived about 1930. The Liberals and Socialists of the victor countries began to notice that the new era had not in fact dawned, that foreign policy had remained precisely what it was before 1914, and that there was some danger of a war in which there was nothing to gain and everything to lose. At once they lost their belief in open diplomacy and turned to a Pacifism which was either religious in origin (unilateral disarmament, *i.e.* the foreign policy of moral precept) or of a faintly Communist tinge (anti-war societies and general strikes). These brave sentiments, however, were brought to a sudden demise by the Hitler Revolution. Faced by an opponent who could fight, in the place of one who would not, Pacifism became pugnacious. The Pacifists discovered that there were, after all, enemies against whom there was a moral obligation to wage a war to the death: and "War against Fascism" took the place of Unilateral Disarmament. We were back again in 1914. Only the names were changed, and now, instead of "Prussian Militarism," the enemy was "Hitler and Fascism."

The 1934 Conference at Southport showed a welcome return to sanity and common sense. Of course the Utopians had to have their say: the foreign policy of the party had to be directed to the formation of a

world-state, and the proposed defensive alliance with Russia and France had to be veiled under the high-sounding title of "pooled security." These, however, were mere sops to the Liberal and Pacifist vote. What was important was the shelving of the General Strike and the admission (1) that the world was still a jungle in which sovereign national states fought one another for existence, and (2) that while the world remained of this sort, a Socialist Government would be constrained to act as beseems any rational creature who finds himself alone in a jungle. His first job is to defend himself and make sure that at least one rational being remains alive, his second job is to try to instil some sense into the remaining inhabitants, or, failing that, to build some barriers between those beasts which show particular aversions from one another. The moral law that one man must die for the people does not and cannot extend to the policies of Governments.

§ 2 *International Ideals and National Interests* Nothing perhaps has done more to convince the Socialist of these salutary, if depressing, conclusions than the entry of Russia into the League, and the recent Franco-Italian pact. The latter, a compact linked with colonial dispositions—conducted, be it observed, without a plebiscite for the native peoples concerned—is directed to maintaining the independence of German-Austria, whatever German-Austria may herself wish, while giving Mussolini a free hand in Abyssinia. It is a compact based on national interests, and for that reason must be infinitely more binding than any League decision which conflicts with those interests. The former proved once and for all that Socialist Russia directs its foreign policy to furthering Soviet interests, and that the furtherance of World-Communism must always be of secondary importance in comparison with the security of the U.S.S.R. There is no Communist Party in Europe or in the Far East which has not learnt this lesson by bitter experience. The world revolution is a weapon in the armoury of

Russian foreign policy, just as the war against Fascism is a weapon in the armoury of French foreign policy. This does not imply that the French or the Russians are hypocrites. Far from it: it merely shows that *ideals always take second place to national interests*. The French Government honestly detests National Socialist methods; the Russian honestly desires world revolution, but both these preferences will always yield to national interests, if those interests are urgent enough. And a Socialist Government in England, whatever its ideals and aspirations may be, will find that it is compelled to bow the knee to this irrevocable necessity of community life. *If it is to give itself the opportunity of playing a part in the reconstruction of Europe or of the world, it must secure the position of its own country, and it must possess that military and naval force which is the only weapon of foreign policy.* If its ideal is pooled security, it must maintain an army and a navy to pool. and it must be prepared for the possibility that it may eventually fail to achieve that pooled security. Only that nation is, with safety, generous and high-minded which has the naval and military strength to afford it. The Socialist must recognize this truism as much as the Conservative, and far more than the Liberal, who has the advantage of being able to preach with no fear of ever facing the responsibility of government.

If the Socialist is to admit that international relations are a matter, not of sentiment, but of power, and that his first task must be to promote the interests of his nation by the skilful use of diplomatic and military weapons, in what will his conduct of foreign affairs differ from that of a Nationalist, or Tory?

That it should be necessary to ask such a question indicates the distance to which the confusion in radical thought has gone. Socialist policy cannot be distinguished by its *methods*—a moment's study of M. Lit-

vinoff or of the organization of the Russian Air Force would show that. What marks it off from other party programmes is its notion of *what* the nation's interests are, not of how we are to achieve them. It is by its ends, not by its means, that Socialism is to be known. The aim and objective of the foreign policy of any Socialist Government must be simply and solely to maintain and raise the standard of living of the community or communities which it rules. The difference between the policy of a Socialist and a Nationalist Government can only be that the former considers the interests of the nation, the latter the profits of industry and finance. Thus the first aim and object of any Socialist Government would be to hunt out and abolish those sinister interests which at present control the national foreign policy. The first plank in any Socialist programme would be the control, not only of armament firms, but also of any industry or financial power which seeks to direct foreign policy in its own interests. A rationally planned foreign policy means a rationally planned foreign trade, and vice versa. A treaty of alliance which is not founded on some basis of mutual economic satisfaction will not last long, and favourable economic relations between nations tends rapidly to produce political alliances.

So long as foreign policy follows these lines of economic mutuality, it is in no danger of falling into nationalist paroxysms, and it is only upon some such basis that any League of Nations or Pooled Security is possible. But such full mutuality is possible only between Socialist states in which sinister interests have been abolished. A Socialist Government in England would, however, have to face a world populated for the most part by Democratic-Capitalist and Fascist states. The policy of the former is directed by sinister interests, or rather is a resultant of the conflict of such forces with national conservative traditions. The policy of the latter is swayed almost entirely by nationalist sentiment and

"ressentiment," and this is found to be almost completely incalculable alike by its own capitalist nationals and by neighbouring states. With countries of either sort it is impossible to enter into any dependable or constant trade agreements, and from this it follows that pre-war alliances are the only possible relationships which such states can have with other states. Thus the Socialist is forced, as Russia has shown, to play the game too, and he must play it with the same calculated self-interest. To put it concretely, the closest possible economic and political relations with Russia would be the only constant factor in the foreign policy of a Socialist England. For the rest, she would be forced to play the League game with the rest, with this difference: that (sinister interests abolished) the advantage to be gained by an aggressive war for a Socialist community would be practically nil. Every Socialist Government, therefore, which enters the League is a force on the side of peace, since its interests and security are, in fact, pooled with those of the other Socialist members.

If our argument so far is correct, we are faced with some conclusions which will be distasteful to many well-intentioned people who have joined the Labour Party chiefly on the grounds that it is a "pacifist" movement. The pacifist may be defined as the person who, because he dislikes power-politics, denies that they exist: his political philosophy is a pleasant game of wish-fulfilment, and it is owing to his influence that the Labour Party even now fights shy of admitting that its foreign policy is, and should be, directed to the furtherance of the real interests of the nation. The result of this shyness is disastrous, for it enables the Parties of the Right to claim that they, and they alone, are concerned with defending and furthering them, and it fastens in the minds of hundreds of thousands of voters the belief that Socialism is inextricably bound up with quixotic internationalism. This confusion is one of the chief causes of the growth of

Fascism in Europe. It is the belief that Fascism will at the same time preserve the interests of the nation by a "strong" foreign policy and cure the internal economic ills peculiar to each country which gives it its overwhelming attraction. The Socialist is only too ready to overlook the fact that the Fascist criticisms of "internationalism" are often shrewd and to the point. Hitler's and Mussolini's attacks on the League are very largely justified, and, indeed, are identical with those which any Communist or Tory would make. The Fascist attack on Social-Democratic foreign policy can only be properly answered by the clear statement of Socialist objectives, which (it should be clearly stated) can only be achieved by a Government willing to use the instruments of foreign policy *more* resolutely than any British Government since the War has done. A Socialist Government must first and foremost be a Government which will *govern* only so will it gain the confidence of the masses who still, with some justice, believe that the Left can talk persuasively when things are going well, but that in a crisis it is only the Right which can be depended on to act. It is for this reason that the man in the street inevitably connects the idea of the Conservative Party with that of the nation. He still feels that the Labour Party is essentially an opposition party whose foreign policy, though it may in small doses be an excellent antidote to the Conservative tradition, is yet fundamentally an unsuitable programme for the government of a nation.

There is only one way of eradicating this belief. It is that the Labour Party should have the courage to claim that *it is in the best sense of the word a national party, with the nation's interests at heart* that it is not like the I.L.P., merely a minority movement which can safely proclaim Utopian ideals because it will never have the misfortune of trying to put them into practice. On this basis the Labour Party can then point out how disastrously national interests are in fact served by the

National Government: and how the life of our people is endangered by its attempts to preserve the British tradition of waiting to see which way the cat will jump, at a time when European peace can only be secured by a clear and decisive lead on the part of Great Britain. In brief, if the Labour Party is to gain the confidence of the British people that it really can maintain peace in Europe, it can do so only by (1) stating clearly and decisively for what it is prepared to fight, and (2) making the necessary naval and military preparations.

§ 3. *Socialism and War.* But for what should a Socialist be prepared to fight in the modern anarchy? For the maintenance of Memel under Lithuanian domination, or Austria under Italian hegemony? This is the problem which taxes the ordinary man most severely. Was it really worth while, he asks himself, to defend the neutrality of Belgium at the cost of a world war? Will it be justifiable to slaughter millions of men for the sake of Herr Schussnigg and Co? But the problem is not as difficult as it at first appears when it is seen that the *occasions of war are never its causes*. Memel and Austria may be danger points in Europe to-day, but it is not for Austria that the Socialist is prepared to fight when he says to Hitler, "Hands off Austria." The real menace to the peace of the world are the military aspirations of Germany, Italy, and Japan, and the only way to stop the realization of those aspirations is for an English Government to set up at certain well-defined points the notice "Here, and no further." Where those points are is a matter of secondary importance: what is vital is that a Labour Government should be prepared to declare for (say) the independence of Austria, being perfectly clear in its own mind that this independence is not *in itself* worth fighting for, except as a limit somewhat arbitrarily fixed beyond which the Nazi Government shall know that England forbids it to go. Only in this way can European peace be maintained for this is the only language that the sovereign states of the modern world can understand.

The immediate objective, then, of an English Labour Government should be to secure peace by telling those nations which are interested in aggression exactly at what points they will meet with armed resistance from England. Such a statement should be worked out within the framework of the Covenant of the League and in conjunction first and foremost with Russia, and secondly with France and, if possible, America. But it will always have as its remoter goal the pooling of its military, naval and air forces with those of the U.S.S.R. and other Socialist States, and the co-operative planning of the iron, steel and chemical industries of the countries. For let us be clear that collective security and international police forces are meaningless under modern conditions unless coupled with co-operation on the economic field as well. This secondary goal remains remote indeed, and any Labour Government of the next five years must make up its mind that it can only hope to establish a system of alliances upon which pooled security may later be built, and a real League of Nations may at last arise.

§ 4 *Some Concrete Proposals.* It may be objected that in this essay I have outlined no definite programme of foreign alliances or compacts. My answer is simple. The details of foreign policy must and should be left to *the expert*. External planning, like internal planning, cannot be conducted by popular vote. All that a people or a Socialist party can do is to adopt some such general outline as I have done. The principles alone can be laid down by the party, the rest must be left to the Government bureaux. And further, before we start meditating on our details, we have a mountainous task to perform. We have to convince our own people: (1) That open diplomacy and plebiscite appeals to the people on details of foreign policy can only bring disaster, and enable the sinister interests to feather their nests with the moral support of the public whose national or pacifist passions they



can so easily fan. (2) Socialism and Pacifism have no connection, and a Pacifist movement will cripple any Socialist foreign policy as much as it cripples a Nationalist one. The Socialist State must be prepared to fight where its economic interests are threatened: it must maintain some balance of power, and to do so it must have power to put in the balance. (3) The abolition of the Leviathan of national sovereignty is an absolute impossibility, so long as "Nationalist" Governments exist. The class which thrives upon the exploitation of the foreign market is unlikely to abolish its own power, and national sovereignty will be maintained just so long as industrial and financial "interests" have a say in foreign policy and a control of the educational and press-machine. "National sovereignty" means, in fact, in this sense, the domination of the Nationalist. It is just empty talk, therefore, to make propaganda for its partial surrender in a system of pooled security, without at once pointing out that this necessarily implies Socialist control of the national industry, and economic mutuality between the states which "pool their sovereignty". (4) Socialist foreign policy must not be swayed by sentimental appeals, such as the preference for French corruption over German brutality. "War against Fascism" shall be conducted only where a Fascist state trespasses upon the real interests of the English people. It may well be true, for instance, that Germany's policy is too unreliable for any possible alliance to be made with her. Very good: but let that be our reason for refusing her collaboration, and not any vague moral preference for "French culture." It is because mankind is so highly susceptible to such "moral appeals" that foreign policy should be resolutely removed from the arena of demagogic and newspaper harangues. (5) Lastly, until some measure of government control can be exercised over the industrialist, the financier and the newspaper magnate, *no* Socialist Government, whatever its ideals and whatever its backing in the

electorate, will be able fundamentally to alter the traditional line of English foreign policy which maintains itself, in all essentials unchanged, under every Government.

This may be a depressing conclusion, but truth, even when depressing, is not unwholesome.

Since the writing of this essay in January 1935 much has happened to confirm the conclusions which it contains. The shocked surprise with which the news of German conscription was greeted only shows how resolutely the British public and its Government turn a blind eye to unpleasant truths. Every expert knew the fact of German re-armament but England went on believing Hitler's assurances because it was too unpleasant to disbelieve them. The solemn statement by Mr Ramsay MacDonald after the Stresa Conference, that we had entered into no new obligations during those three days of discussion, showed that the National Government is still struggling to stay on the fence and remain, true to 1914 traditions, the impartial arbiter of European destinies, and therefore a negative but major cause of war. The National Government tries to please everyone at once, and succeeds in making everyone feel insecure. But, most depressing of all, the Utopians inside the Labour Party are again making themselves felt. The Geneva verdict is now found by them to be unjust to Germany, we must not let ourselves be entangled in pre-war alliances, but must give Germany a fair deal. Germany's aspirations will be satisfied by the rectification of the injustices of the Treaty of Versailles.

If any of the foregoing pages mean anything at all, it must be obvious how tragically sentimental such feelings are. How can it still be possible to think that English friendliness and good intentions will turn Hitler into a Liberal? The sudden recognition by England of the injustice of Versailles can only seem to him a result of his blustering and threats. German policy to-day, as

in 1914, reckons upon Liberal and "internationalist" feelings in England it confidently expects our pacifists to render any Government, particularly a Labour Government, impotent to act decisively. It looks sadly as if its expectations will be fulfilled

### III

## LABOUR AND THE LEAGUE OF NATIONS

By FRANK HARDIE

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### III

## LABOUR AND THE LEAGUE OF NATIONS

§ 1. *First Principle*—What should be the object of Socialist peace policy? My own reply would be: The prevention of war. That is not quite such an obvious answer as it may seem at first sight. The answer sometimes given is: The abolition of war through the creation of a World Federation of Socialist States. It goes without saying that for Socialists that is a desirable objective. But unfortunately it must now be treated as an ultimate, and not an immediate, aim. The scheme of priorities in this matter is first to postpone war, next to prevent it, and finally to abolish it. If we can do nothing more, then we must try to postpone war. But I am going to claim that we have now a fair chance of preventing it.

The first object of Socialist peace policy is, therefore, the prevention of war—if only on the ground that failure to prevent war will almost certainly mean failure to achieve Socialism. For this reason, that after “the next war” there will be precious little left to socialize. Marx wrote long before the aeroplane had been invented; Lenin, long before its present potentialities had been “even thought of.” It is the immensity of the destructive power of the modern aeroplane which is the decisive new factor in the situation. It is interesting to observe the reaction of the international anarchists of the Right and of the Left, Conservatives and Communists, to the expert evidence on this question.

When Communists join with Lord Beaverbrook in denouncing the League, their united front seems to me as suspect as an alliance between Bishops and bookmakers to oppose a tax on betting. The temptation to compare the international anarchists to so many flies vainly struggling in a spider's web is irresistible. We none of us like to accept ideas which mean that we must pull up our principles by the roots. Therefore the international anarchists refuse to accept expert evidence, the weight of which is absolutely crushing, because it conflicts with their preconceived policies, in the case of the Conservatives the policy of achieving security through national armaments, in the case of the Communists the policy of turning an imperialist into a civil war.

To do elementary justice to this expert evidence with even the most summary of summaries would fill many pages. I must content myself with one quotation, and that not from a professional internationalist like Sir Norman Angell, who might reasonably be alleged to over-state the horrors of war,\* but from a gentleman who sometimes seems to be sorry that they have such a deterrent effect. Mr. Winston Churchill, speaking in the House of Commons on November 28th, 1934, said:

"But, without accepting these claims [certain more extreme claims] no one can doubt that a week or ten days' intensive bombing attack on London would be a very serious matter indeed. One could hardly expect that less than 30,000 or 40,000 people would be killed or maimed. . . The most dangerous form of air attack is the attack by incendiary bombs. Such an attack was planned by the Germans for the summer of 1918, I think for the time of the harvest moon [and did not take place only because of the end of the War]. The argument in

\* His recent book *The Menace to Our National Defence* (Hamish Hamilton, 1934, 3s 6d) contains one of the most readable summaries of this evidence. Read also the chapter, entitled "A National Air Force No Defence," by Philip Noel Baker in *Challenge to Death* (Constable, 1934, 5s).

favour of such an attack was that if in any great city there are, we will say, 50 fire brigades, and you start simultaneously 100 fires or 80 fires, and the wind is high, an almost incalculable conflagration may result

"Not less formidable than these material effects are the reactions which will be produced on the mind of the civil population. We must expect that under the pressure of continuous air attack on London at least 3,000,000 or 4,000,000 people would be driven out into the open country around the Metropolis. This vast mass of human beings, numerically far larger than any armies which have been fed and moved in war, without shelter or food, without sanitation, and without special provision for maintaining order, would confront the Government of the day with an administrative problem of the first magnitude, and would certainly absorb the energies of our small Army and of our Territorial Force. Problems of this kind have never been faced before, and although there is no need to exaggerate them, neither, on the other hand, is there any need to shirk from facing the immense unprecedented difficulties which they invoke. When all is said and done, pending some new discovery, the only direct measure of defence upon a great scale is the certainty of being able to inflict simultaneously upon the enemy as great damage as he can inflict upon ourselves."

It is likely that even if the consequences of conflict were only those envisaged by Mr. Churchill, the problem would not be one of turning an imperialist into a civil war, but one of erecting whatever dam was possible to defend civilization itself against the flood-waters of anarchy. And compared to some others Mr. Churchill's is a very rosy picture. If you like, I am driven back on to a formula of the absolute necessity of preventing war in order to make the world safe for Capitalism, because if we cannot in that way make it safe for Capitalism, neither can we make it safe for Socialism. In any case, it is absolutely essential that Socialists should make up their minds on this fundamental question of first principle, whether or not efficacy as a means of preventing war is to be the touchstone which they will apply to each and every peace policy suggested to them



§ 2 *Complete Pacifism*—There are now three main peace policies advocated within the Labour Party. The incompatibility between them is by no means absolute, but obviously it is essential to select one on which to place propagandist emphasis. Otherwise the confusion of the public mind on this question will only grow worse confounded. The first policy is that of complete pacifism, and unilateral disarmament, eloquently expounded at the Party's last Annual Conference, held at Southport, by Mr Wilfred Wellock. To it there seem to be three principal objections.

The first is the difficulty of its application to the Empire. According to the notions of Conservatives as to what constitutes a reasonable speed-limit in these matters, Socialists may no doubt desire that the English troops, in the time they take to leave India, should grossly exceed it. But even Socialists do not propose, nor probably would the most fervent Indian Nationalist seriously desire, that the last soldier should be withdrawn by, say, December 1936. And it is even more difficult to set any sort of a term to the presence of British military forces in, say, West Africa.

Second, the policy is sometimes alternatively styled, disarmament by example. But obviously there is little probability that the example would be followed. In fact it seems very unlikely that total unilateral disarmament by Great Britain would in present circumstances lead to the scrapping of a single French or German machine-gun. Multilateral is preferable to unilateral disarmament, if only because it would result in a greater total quantity of disarmament, and one may still reasonably hope that if Great Britain, for the first time, showed herself ready to play her full part in a pooled security system, that might bring about large-scale measures of multilateral disarmament. Moreover, the best guarantee of peace for Great Britain would be the guarantee of peace throughout Europe.

Therefore, whilst it is admittedly arguable that the

policy of unilateral disarmament might secure our own safety, it is, because it would make no positive contribution to the preservation of European peace, a negative and a selfish policy. In effect, the modern extreme pacifist is forced to ask. "Am I my brother's keeper?" And what, one might add, shall it profit a pacifist if he save his own soul, but lose the whole world?

But the third and decisive argument against the policy is simply this, that the Labour Party, as a democratic party, cannot reasonably be expected to advocate a policy which has no chance whatever in the near future of receiving democratic assent. If pacifism of the Quaker type was the creed of the vast majority of the population, then, of course, our problem would be much easier. It is in fact only the creed of a small, though vocal, minority.

If anyone says to-day that he does not "believe in" force, he might as well say that he does not "believe in" gravitation, or, like Mr. Kipling's villagers, vote that the earth is flat.

We have not yet reached that stage of civilization when people are ready to renounce altogether the use of force, though it is to be hoped that that time will surely come. What we have perhaps reached is the same stage in international affairs as we seem long to have passed in domestic affairs, the stage when men are ready to collectivize the use of force, to put force behind law. In the world as it is the question is not whether force is going to be used, but who is going to use it.

If, therefore, you advocate that the Labour Party should go to the country on a platform of complete pacifism, then you must take the consequences, possibly very grave indeed, of its spending the next twenty years (at least) in the wilderness. For there could hardly be a more certain way of sweeping into power for a generation militarists and reactionaries of every kind than to present them with the argument that the one

great Opposition party in the country is in favour of action (for that is what they would say) comparable to that of the man who recently climbed into the lion's den at Whipsnade.

§ 3. *Mass Resistance* —The second main policy advocated, and by a larger group, is that of mass resistance. A great many people seem to see a vision of this in the form of the British Government being prevented from going to war because it knows that its people will not fight. It won't be as easy as that. It might be, if it was perfectly clear that it was our own Government which was contemplating wanton aggression. But in point of fact it will not be our own Government which will attack, because this is a sated country. It only needs a glance at the vast extent of the areas marked in red on the map of the world to see that whilst there is no sort of reason why we should want to attack anybody, there are plenty of reasons why other people should want to attack us. In short, if we go to war we shall be fighting in defence of our imperialist possessions. Not even a Government of a fascist type in this country would be in the least likely to be deliberately and patently aggressive.

Just as in 1914 the Liberal Government of the day genuinely did not want war, but drifted into it, so now the danger is that a Government, which equally genuinely does not want war, will similarly drift into it. And the parallel is even closer than that. Once again the enemy seems most likely to be Germany, and a Germany the little finger of whose militarism and autocracy is thicker than the loins of the militarism and autocracy of William II's Germany. We shall be told that we must fight the Germany that has persecuted and tortured Jews, Pacifists and Socialists. We shall be told that we must fight to prevent our soil being invaded by that Germany. We shall be told that we must fight to prevent that kind of rule being imposed on us. We shall be told that we must once again fight in a war to

end war, and to make the world safe for democracy.\* And all this propaganda is going to be far more effective even than the recruiting appeals of 1914. In that respect our militarists have a thing or two to learn from Dr Goebbels

Who is going to resist this propaganda? Certainly a large number of Labour leaders—and it is hard altogether to blame them—do seem to believe that this kind of war is the one, the only one, which would be different. It is, after all, true that there is much to choose, from the strictly proletarian point of view, between Fascism on the German model and bourgeois democracy on the English. But it does not follow that the latter can be upheld and the former overthrown by resort to war, even in self-defence. The onus now is always on the militarist to prove, and up to the hilt, that war is profitable, rather than on the pacifist to prove that it is not. But here no doubt we have in great measure the explanation of official reluctance to pledge the Movement to a General Strike against *all* war.

Certainly, too, many Socialists who now think themselves steel-strong against the seductions of militarist propaganda will be among its first victims if the hour of reckoning comes. Certainly, many of the younger unemployed will rush to the colours for the sake of the food and the clothing, and, possibly even more important, because of the sense that at last their services are valued—even if it is only the service of their bodies as cannon-fodder. In short, as things are shaping now, the attempt to organize mass resistance would collapse

\* Cf Mr Baldwin in the House of Commons, March 11, 1935. "The world has never been more unsafe for democracy than it is to-day. Democracy is threatened sometimes from outside, sometimes from within. I believe this country will be the last country in the world to haul down the flag of democracy. I am convinced that if our people as a whole are not willing to carry out the modest demands in this White Paper [on increase in armaments] . . . the risks of our democracy perishing are great."

as it did in 1914, except for the difference that to-day there is not even the promise of its organization on an international scale.

But if it is not to collapse, what do we need? First, we need a big organization—that is sufficiently obvious—an organization, for example, that covered all the Trades Unions. At Southport, remember, only the miners voted for a General Strike against war. Second, we need an extremely smooth-functioning organization. Mass resistance cannot be trusted to “come all right on the night.” For “the next war” will come literally as a bolt from the blue, and after the first air raids mass resistance will cease to be an item on the political agenda. It must therefore be attempted, if at all, at the first moment that a war-like situation develops. There must be no waiting for a formal declaration of war. This must also be the case if, in accordance with the first principle stated above, mass resistance is to be thought of as a means of preventing war, and not only as the right action to take after war has actually broken out.

We need, third—and this must be squarely faced—a revolutionary organization. If we advocate mass resistance we do not advocate merely that individual citizens should refuse to take part *in* war, but that masses should fight *against* war. That would be rebellion, which any Government would attempt to suppress, if necessary, by force. But if the war-resisters used force against the force of the Government, then the outcome of the ensuing civil war would likely as not be Fascism rather than Communism. If there is one thing more than another I distrust about Communists, it is not their alleged economic determinism, but the actual optimistic determinism of their psychology.

I am not saying that I am in all circumstances opposed to mass resistance. Far from it. But I do content myself here with pointing out some of the difficulties which usually seem to be ignored by those who urge this

policy. If the Labour Movement is to tread that road, it is as well that it should step out with its eyes open.

But even if all these difficulties were to be overcome, two things would remain true. First, that mass resistance is a negative policy. It is a negative policy because, while it may aim at the prevention of international war, it does not simultaneously of itself make any positive contribution towards building international government. Second, it is a policy for an Opposition and not for a Government. A Government, whether it be a Socialist or a Communist Government, must have a foreign policy. The problems which would face even the relevant Commissar in a British Union of Soviet Socialist Republics would undoubtedly, in many respects, be similar to those which now confront His Majesty's Principal Secretary of State for Foreign Affairs. Labour in this country as the official Opposition constitutes the alternative Government. It claims that it is fit to govern. It is indeed possible that, after the next election, it will be called upon to do so.

Sound Socialists in this country have, therefore, every right to concern themselves with this problem of political power, if only because the greatest and most important of all political problems, the prevention of war, is so much easier for a Government than for an Opposition to solve. If Labour loses the next election, then it might do well to place its emphasis for the next few years on the policy of mass resistance rather than on foreign policy. Now, with an election approaching, it is right as a responsible political party to place its emphasis on foreign policy. It is difficult, in any case, to see what step it could effectively take to prevent disaster overtaking us in the short intervening period.

§ 4. *Labour's Foreign Policy*.—So we come to the question of what should be the foreign policy of a Socialist Government. We have rejected the policy of unilateral disarmament. Presumably we do not hesitate also to reject the kind of foreign policy pursued by our present

Government—a policy which only serves to hasten the drift back to the international anarchy of the pre-war years. There remains a policy of pooled security. It is sometimes argued that this should take the form of an alliance with other Socialist states. But an Anglo-Russian alliance—for that in essence is what this would come to—would not of itself be strong enough to prevent war. It might well form the nucleus of a larger group; and certainly a British Socialist Government ought to work in the closest possible co-operation with the Russian Socialist Government. The difficulty now is to see how this co-operation could be effective if we were not to follow the example of Russia's League policy.

The other form of the policy of pooled security is that adopted by the Labour Party at Southport, the policy of trying to prevent war through the League of Nations. Even the Socialist League amendments at that Conference say: "A Labour Government would strive to make effective on as wide a front as possible the principle of collective security . . .", but then they add: "The Labour Party does not desire this country to withdraw from the League of Nations." What an inspiring cry! I hope I may be excused for preferring the words of the official Report: "Labour means business with the League and Peace. Our attitude is fundamentally different from the mere lip-service to the League paid by many of the orthodox politicians."

Now, surely it ought to be enough for British Socialists to observe what is in this matter the policy of the Soviet Government. The rulers of Russia are in precisely the position which we wish to hold in this country, that is to say, they are a Socialist Government passionately anxious to concentrate all their energies on the work of socialization. The one thing they simply cannot afford is a war. Similarly, a Socialist Government in this country would have its hands full

enough in all conscience with home affairs. It would be absolutely essential for it at all costs to avoid becoming entangled in war. The Soviet Government, therefore, being in this position, joins the League. Why? Because it is convinced that in its membership of the League lies its best hope of preventing war. Because it observes that the two most militarist Powers, Germany and Japan, are outside the League. Because it observes, further, that the states which are members of the League are states—Great Britain, France, the Little Entente, the neutrals of the last war—in whose interest it is, whatever the motive, to keep the peace.\* Because it observes, finally, from recent indications of policy,† that the League can now count on closer co-operation from the United States Government than ever before since its foundation. This is a group of states whose power is overwhelmingly superior to that of Germany and Japan. When you talk now about the League of Nations, you must remember that realistically that is the foundation you have on which to build ‡

Am I, then, advocating a reversion to the old, bad, discredited policy of alliances? No. What I do suggest is that a British Socialist Government should take the initiative (perhaps a better step to take in diplomacy even than in other walks of life), declare unambiguously that the ultimate object of its foreign policy is the creation of a World-State, and meanwhile, as a means to that end, put forward a bold and courageous plan for a great advance towards real pooled security. This policy might in the end be found to involve the necessity of a regional agreement under Article 21 of the Covenant. But, in the first place, every state throughout the world would be

\* Lack of space makes it impossible for me to attempt to deal here with the special case of Italy.

† In particular Mr Norman Davis' Geneva speech of May 22, 1933.

‡ Read *Why the U.S.S.R. Joined the League*, published by the New Fabian Research Bureau, 17 John St., W.C. 1, 15.



asked on equal terms (perhaps by means of a public, identic despatch) to accept the plan of pooled security.

What would be that plan? The common objection to more treaty engagements which will only become so many more scraps of paper is valid enough. But do not let us on that account make the bad mistake of thinking that pooled security has been tried and found wanting. In point of fact it has never even been found difficult because it has never really been tried.

The rights of national sovereignty have hitherto remained substantially unimpaired. The crux of the matter now is aviation. The crux of the plan, therefore, would be proposals for the complete, total, and immediate abolition of all national air forces and for the internationalization of all civil aviation.\*

Would Hitler accept that? We do not know, because he has never been asked. The one thing we have never done is to take him at his word. We have never tried to call his bluff. But supposing we call it and find that it is not a bluff? Then anyway we shall know where we are. If Hitler refuses equality of air armaments at zero, we shall know that he does not want equality of armaments, he wants war. In that event one is inevitably driven back on a kind of alliance policy, for the states which accept advanced measures of pooled security as a means to the end of the World-State must also see to it that their collective strength is overwhelmingly superior to that of a patently aggressive Germany. If an "alliance" of that kind is formed against Germany, she has only Hitler to blame. He has been asked to come in "on the ground floor," and if the door is kept open, Germany will one day be bound to find it in her own best interests to enter.

§ 5. *Peace and the People*.—But this has been looking far ahead. What I have tried to do here is briefly to sketch some of the reasons for supporting the policy

\* Such proposals are now practical politics, see, for example, Jonathan Griffin's *World Airways, Why Not?* (Gollancz, 1935)

agreed upon at Southport. That policy was stated in unambiguous terms and carried by an overwhelming majority. It is, moreover, a policy which is likely to commend itself to the people of this country. Almost to a man they are pacifists in the sense that they know quite clearly that they want peace. But they need to be told what precisely is the right peace policy, and if the Labour Party tells them sufficiently clearly it will "East-Fulhamize" the whole country. On this issue, and probably on this issue alone, it could win not merely a majority, but a thumping majority, and that without the slightest modification of the most thoroughgoing Socialist programme for home affairs. It is nonsense to say that the question should not be made one of party politics. It is a question of party politics. It is the Labour Party, the party of the workers, of those who never in the long run stand to gain by war, which is the party of peace. It is the Conservative Party which pays lip-service only to the League, and therefore opposes the Peace Ballot; and a Conservative Government which throws a whole succession of monkey wrenches into the machinery of the collective system. *The Dying Peace* \* is an absolutely damning and unanswerable indictment of the foreign policy of our present Government †. It would be a profound tragedy if it were to be thrown into wastepaper baskets, instead of hawked at the street-corners—if the best part of the Opposition's case against this Government were to be abandoned—because the Labour Party has itself lost faith in the League.

But I do not put my case merely on the ground of

\* Written by a group of experts under the name of *Vigilantes* and published by *The New Statesman and Nation* (10 Great Turnstile, London, W.C. 1, 6d). On this Government's record read also *Challenge to Death*, pp. 79-89 (Philip Noel Baker).

† But a tribute must be paid to Mr. Eden, whose recent handling of the Saar affair has served to remind us that a decisive British lead at Geneva is almost always followed, and is almost always effective in securing a peaceful settlement of a dispute.

electoral advantage. I place it on far higher ground than that. "We must not prepare for a war for tomorrow, but for a war of to-day" So said Mussolini, in July 1934. He may have been over-stating the imminence of the danger, but it is unfortunately clear that there is rapidly developing the kind of situation in which all Europe becomes one sea of petrol which it only requires a single spark to set aflame. The Labour Party has a scheme for applying sand instead of sparks. It has a practical policy for preventing war, which even at this late hour has (however inappropriate the metaphor) a fighting chance of success; and it has more than a right, it has a duty to go to the country and say so.

*March, 1935.*

## IV

### WHAT DO WE MEAN BY FASCISM?

By EDWARD CONZÉ

DR EDWARD CONZÉ, although by birth a British subject, was active in the German Workers' Educational Movement for the six years before the Nazis came into power. Has travelled extensively in many countries, and devoted special attention to the philosophical background of Socialism. After a preparation of ten years he published, in 1932, a book on the subject which appeared just in time to be suppressed by the Nazis. The Nazi Revolution forced him to return to England, where he joined the Labour Party, and has since lectured throughout the country on his first-hand experiences of German and Italian Fascism. He is the author of *The Scientific Method of Thinking*, the joint author, with Ellen Wilkinson, of *Why War?* and *Why Fascism?* Incidentally, it is a matter of interest that Engels, Marx's famous collaborator, was a member of the same Elberfeld family from which Dr. Conzé is descended.



## IV

### WHAT DO WE MEAN BY FASCISM?

§ 1 *Which are the Fascist Countries?*—The daggers in the hands of Mussolini's Ballila are an appropriate and picturesque symbol of Fascism. It is largely because writers are generally not inclined to line up, daggers drawn, in the streets, that they experience such great difficulty in understanding Fascism. This is, of course, not the only reason why we all feel bewildered by this new phenomenon. Not the least bewildering problem about Fascism is the vagueness of the very term. Governments of entirely different character have at different times been labelled as "fascist." In vain do we attempt to discover a common policy in the actions of Horthy, King Boris, Pilsudsky, Cha-ing Kai-Shek, Hitler, Mussolini and Araki.

Of course, they are all dictators and "strong men." Yet this is merely a common name which hides the differences in what they do with all their formidable strength. Not every dictatorship is fascist. Fascism grows in highly industrialized countries. It manages to mobilize a large, enthusiastic and convinced mass support for its aims—the mass support of a population which has gone through the experiences of democratic participation in government. Hungary, Jugoslavia and Bulgaria suffer from the open and unveiled dictatorship of the few landowners and officers, based on the passivity of a peasant population and on the clever exploitation of racial differences. In Italy, Germany and Japan, Fascism is a mass movement. In Germany it is the

largest mass movement the country has seen since the Reformation.

At the present time only two countries, Italy and Germany, are full-grown fascist countries. Japan, on the other side of the globe, comes nearest to them. Austria cannot be counted as an independent country. It is a colony either of Italy or Germany, or of both. She thus has to choose between the Fascism of one or the other of them.

§ 2 *A Historical Parallel.*—The “German revolution” of 1933 struck many observers outside Germany as a sudden, and almost unaccountable catastrophe. It had the appearance of something in the nature of the eruption of a volcano, or of an unexpected earthquake. Many a Liberal shook his head about this new queer fruit of “these mad post-war times.” A scientific understanding must, first of all, divest Fascism of the spell of the miraculous. After it is once there, we cannot escape the need for regarding it as a quite natural and normal occurrence, as necessary and even inevitable in the circumstances.

Fascism is not entirely new and unique. History knows many precedents for it. If, for instance, we look back only 140 years, we can trace a chain of events in European history which closely resembles the events which have recently led towards Fascism. We all feel that Fascism has something to do with the most momentous event of recent times, with the Russian Revolution of 1917. The exact nature of this connection is, however, rarely understood. It becomes clearer when we compare the after-effects of the French Revolution with the course of European affairs in the last eighteen years.

In 1789, the French Revolution destroyed the predominance of feudalism in France. The political power was transferred to the commercial and industrial classes. The Revolution removed a number of feudal obstacles to industrial production. Feudalism, by wasting the

national income for unproductive purposes (luxury of the Court and badly managed wars) and by exclusively taxing the third estate, had retarded the growth of industrial wealth. It had erected many barriers to trade between the different provinces. By plundering the peasants it had limited the internal market for industrial goods. All these obstacles were swept away in a few years.

The French Revolution had repercussions all over Europe. In England, in the words of Lord Cockburn, "everything, not this or that thing, was soaked in this one event." The new ideas gained adherence especially among those people whom posterity considers most worthy of remembrance. The French Revolution was greeted as a glorious victory of freedom over despotism. France became the fatherland of all intelligent men and women. In cases of military conflict her enthusiastic disciples took her side even against their own countries.

After the invasion of Switzerland in 1798 and the appearance of Napoleon on the stage, it became obvious that the French republic used the export of her ideas to further her national interests. The pendulum swung round. Wordsworth voiced the general feeling of the former enthusiasts, when he deplored that the struggle of France "promised to lead to a social millennium and led only to a military empire." Outside France began an adaptation of the French ideas on the basis of a nationalist reaction.

A new pride in the traditions of the home country developed. Fichte's speeches in 1807 proudly recollect the value of German character, race and blood. Jahn deliberately revived what he conceived to be the old Teutonic ideals. Wordsworth sought to lead his countrymen back to Milton's days "when men lived plainly, thought loftily, and fought stubbornly in the cause of freedom." The "Father of Reform," Major John Cartwright, in 1803, tried to restore the system of Government prevalent among the Anglo-Saxons. The



British Union of Fascists, to-day, claim Burke with the same justice as the Nazis claim Fichte.

In Prussia, Stein and Hardenberg, driven by the defeat of Jena, began in 1807 to reform the feudal system. They abolished hereditary serfdom and created a class of peasant proprietors. They established free trade in land, gave freedom to the individual to work and settle where he liked, conceded a rather liberal self-government to the towns and abolished the monopoly which the noblemen had held for the posts of officers. They perceived that these reforms were indispensable for the preparation of a successful people's war against Napoleon.

In England, the movements to reform constitution, religion, popular education, and Trade Union organization on more liberal lines had begun before 1789. At first the French Revolution retarded these reforms. Their opponents cleverly associated them with "Jacobinism." In 1795, "Sedition and Treason Bills" were passed. Nevertheless, the reform movements got a fresh impetus from the example of France, although they matured to victory only gradually in the course of the nineteenth century.

The reverberations of the Russian Revolution bear a striking resemblance to this development. The Communist parties outside Russia, very much against the intention and, at first, largely without the knowledge of their rank and file members, were after 1924 more and more transformed into foreign legions serving the interests of Russian national policy. Consequently, their mass basis collapsed everywhere. On the other hand, the establishment of the U.S.S.R. and the achievements of the first and second Five Year Plans, have compelled even the reluctant to recognize the idea of planning at its true value. All industrial nations now abound with persons who stand for planning, without wanting to go to such a length of radicalism as the Russians did. They prefer to superimpose planning

upon the existing system and to produce a combination, a compromise between a planned and a capitalist economy. The Fascists, seen at their best, are among those persons. They meet the challenge of 1917 by simultaneously suppressing the Communist parties and accepting, on a nationalist basis, many of their ideas.

This parallel, instructive though it may be, should not, however, be driven too far. The economic and social conditions in Europe after 1917, with its developed finance Capitalism, are very different from those prevailing after 1789, in the early stage of Capitalism. Fascism has other functions than to meet the challenge of Russia. Also the reforms which the European countries carried through after 1789, were due to the intolerable conditions existing in those countries themselves. The example of France only accelerated the reforms. Similarly Fascism has somehow grown out of the internal conditions of the very countries in which it appears. We now must turn to a discussion of these conditions.

§ 3. *Fascism, Capitalism, Imperialism.*—Fascism is created by capitalist society. This commonplace, as we shall see later on, does not imply that fascist governments exclusively pay heed to the interests of the employing class. In certain circumstances, which we will have to define now, Fascism becomes the political form of a capitalist society. Only too often do we use "Capitalism" in a very loose sense, without being fully aware of its exact definition. I speak of a society as capitalist if it is occupied mainly with industrial production of commodities, and if it is divided into two classes, that which owns the means of production (land, factories and natural resources), and that class of people who have access to the means of producing wealth only on the condition that they sell their labour power on the free market for wages. That analysis may be marxist. It is, however, correct.

The capitalist system is labouring under a fundamental

contradiction The productive power of society continually tends to outgrow the purchasing power of the community. Whereas the capacity of society to produce goods is fostered by a rapid technical progress and by the efficient division of labour, co-operation and management in the individual factories and combines, purchasing power is continually held down by the demands of a profit system which must keep the wages down and thereby narrow the market for mass production

Some readers may consider the discussion of this contradiction rather far-fetched in a discussion of Fascism. As the very key to the understanding of Fascism it cannot, however, possibly be omitted. We cannot dwell here on the contradiction itself. We are concerned only with its consequences, which are visible to everybody. The existence of this contradiction alone explains the periodical crises and depressions, in which the surplus of commodities over purchasing power becomes visible even to the blindest. The perpetual pressure of these surplus products, together with the vain desire to avoid or, at least, to postpone the depression, leads to the extension of the market beyond the boundaries of the capitalist countries, by including non-capitalist areas. We call this phenomenon "Imperialism." In 1913 it had gone so far that the rulers of the population of the capitalist countries had brought the entire population of the world under their control. The connection between Imperialism and wars is now obvious. After the world has once been divided between the capitalist nations, it is perfectly natural that some of them should demand a revision of the existing division. Therefore the danger of war is permanent under Imperialism. All governments are perfectly aware of this, when they frantically arm for the new war.

This situation, familiar to most readers, brings forth Fascism in those countries that have the economic basis for imperialist expansion, but which are frustrated in

their imperialist desires. If the imperialist basis of a capitalist country becomes too small, is endangered or has been cut off entirely, this country will show a strong drive towards Fascism. Therefore Fascism is the form of government of the unsatisfied capitalist nations. The drive towards Fascism is thus weakest in the strongest capitalist countries. Its fate in England and France is bound up with the future of French and British imperialism. Fascism in France draws its main inspiration from Hitler's threat to French supremacy in Europe, to French domination over the Balkans, to what the French are in the habit of calling "security". The future of British Fascism will be decided in India and in the Pacific. A serious threat to the Empire would swing this country round to Fascism.

On the other hand, the three fascist countries, Italy, Germany and Japan, are obviously frustrated imperialist countries. Through the military defeats in Abyssinia, through the general military weakness of pre-war Italy and through the Treaty of Versailles, Italy did not get the share in the division of the world which she expected. The loss of the last war deprived Germany of her "place in the sun"—that is to say, of her colonies and of her spheres of influence, in Eastern Europe, in Africa and on the world market. Germany, after the War, was reduced to the status of a half-colonial country. "They have made us into a Young colony," was one of the battle cries of the Nazis. Japan was still an Asiatic country while the scramble for colonies was going on between 1850 and 1890. Now she takes from China sources of raw material, markets for her industrial production and land for agrarian settlement. The circumstance that Manchuria and Jehol are many thousand miles away, and that British foreign policy backed Japan against the U.S.S.R., has made it difficult for English public opinion to see Japanese imperialism in its true weight and significance, to see it on the same level with German fascist imperialism.

It is always both dangerous and attractive to define a complex phenomenon in one sentence. The sentence is apt to consist of stereotyped words. If we take the risk, we may say that Fascism is Finance Capitalism preparing for an aggressive war as the solution of its difficulties.

§ 4. *Fascism and Cæsarism*.—The standard of living in a capitalist country must necessarily fall if there is a reduction in the area from which this country gets its raw materials and to which it can sell its products and export its capital. The national income available for distribution among the population becomes smaller. The poorer classes become restive. The country is threatened with civil war. Fascism avoids or ends a civil war by preparing the nation for a war which, if successful, will raise the general standard of living. In Germany, everybody knows that the standard of living rose considerably after the war of 1870, which was Bismarck's solution of 1848. It appears worth while to the Nazis to try the same thing once more.

The device to solve a class war by an expansion abroad is a very old one. It is the classical method of Cæsarism. With more or less success it has been repeated over and over again in later history. In the nineteenth century it was the method employed by the two Napoleons, by Bismarck and Disraeli. Cecil Rhodes was well aware of it when he stated that hunger riots in Poplar are best prevented in Cape Town and Mombasa.

The methods of Cæsarism are essentially the same as those of Fascism. Reasons of space prevent me from elaborating the parallel in detail. I only want to point out that in both cases the discontent of the lower classes is not simply crushed by the police. These classes are in the long run satisfied to a certain extent from the plunder which results from imperialist expansion. The lower classes are thus satisfied, not at the expense of the ruling class, but at that of foreigners.

who pay with high tributes for their "racial inferiority." The whole process, if successful, also enriches the ruling class. The fascist dictator is a potential Napoleon—but nobody knows whether it will be the uncle or the nephew.

§ 5. *Fascism and War Preparation.*—The facts about Germany's psychological, technical and diplomatic preparation for war are common knowledge. The daily Press shows that public opinion in this country is becoming alarmed at the rapidity with which Germany rearms. The picture changes so rapidly, the progress of rearmament proceeds so quickly, that figures are already out of date by the time they become known. Germany concentrates everything on war preparation; she sacrifices everything for this one aim. This procedure is more reasonable than it appears at first. It confronts the other countries with this alternative: Either they also can ruin their economic system by exaggerated war preparation, produce continually immense quantities of up-to-date war material and militarize their industries in peace time. Or, if they do not want to go this way, they must expect to be weaker than Germany in three, four or five years. For some years a nation can stand the frantic strain and waste. Then its economic life will be ruined and the Government faced with a civil war. In order to avoid this, it must then rush into an external war.

With regard to Italy, recent events have made it abundantly clear that Fascism leads to war. In September 1933 Mussolini decreed that all men from eight to fifty-five years of age should be under arms. In November 1934 the military training was extended to boys from four to six years, who are organized in the *Ballila della Lupa* (Wolf's children). These children will undergo anti-gas drill, learn to shoot both with rifles and machine guns under experienced army instructors, be engaged in regular route marches, etc. In September 1933 Mussolini boasted that "in the fascist state the

functions of citizens and soldiers are indistinguishable." The Italian Press commented that history has no parallel for such a nation-wide militarization. In actual fact, there is one parallel. The Spartans did the same sort of thing. We have the small consolation that in the course of time they died out, decimated by many wars.

Of course, the leading men in Germany and Italy leave in the dark the exact direction which their war will take. They know only too well that only surprise can give them the chance of victory.

Peaceful speeches have become an indispensable part of war preparation. Nowhere can we find a more eloquent collection of impressive declarations of peaceful intentions than in the speeches of ex-Kaiser William II. But the logic of his actions proved stronger than that of his speeches. Also, the Nazis are peaceful in the sense that they hope to get by means of the threat of war what only war can give them. Liberal and fair-minded Englishmen like to close their eyes to the horrible prospect of a future war, assuming that everybody is as peaceful as they are and consoling themselves about the Nazis' actions by a perusal of Hitler's more recent speeches. They find further consolation in that twelve years of Mussolini's rule has not led to war.

It is, however, the result not of Mussolini's peaceful intentions but of the weakness of his country, that Italy has not started a war until now. Mussolini knows what it means to fight with an army which for one hundred years has acquired nothing but a tradition of defeats. Only as a hyæna on the battlefield, only during a struggle between big Powers, will Italian Fascism be able to acquire some booty. The recent treaty with France showed how much success the threat of war has already brought.

Japan, on the other hand, has not only demonstrated that she is able to cultivate the spirit of sacrifice so necessary for a war, but also is very clever in playing off the dissensions between her potential enemies, between

England, the U.S.S.R. and U.S.A., when snatching Manchuria from under their noses. And Germany has already once before stood for four years against the whole world. The Nazis make the German citizen again conscious of the "glories" of this time of resistance and willing to repeat them.

Whatever the Fascists do can be understood as a means for war preparation. Nothing can be understood without it

The civic liberty of the citizens, their right to express opinions contrary to the régime, is brutally suppressed. The average citizen becomes accustomed to look for guidance only to the fascist organization. Only one voice can be heard. For years the nation is "united" and rigidly disciplined. In a modern war everything depends on the morale of the population, not only at the front, but also at home. All opposite opinions being excluded, incessant propaganda can freely mould the minds. At intervals, probably by way of manoeuvre, this propaganda brings the nationalist hysteria to the boiling point.\*

At the same time, a country which is preparing for war cannot afford the waste and the lack of co-ordination which are essential to a *laissez-faire* economy. Planning is far too important a weapon to be neglected. Germany and Italy have made an attempt at capitalist planning. They try to combine planning with private enterprise and profit. If planning is undertaken in order to avoid war and crisis, it must raise the purchasing power of the community. Fascists plan at the expense of the consumer. They cannot and do not raise purchasing power to a higher level by peaceful means. They raise it artificially by creating a demand for war material.

\* In November 1934, the *Giornale d'Italia* wrote about insults received from Yugoslavia with reference to a football match between England and Italy. "Italy watches and weighs everything occurring in Yugoslavia—even though so far she imposes the utmost restraint and moderation upon herself—and this will be taken into proper consideration when the final account is rendered"



They use planning to co-ordinate all economic forces for war.

Germany lost the last war largely because she was starved out. The Nazis have made up their mind that this is not going to happen again. They have planned agriculture in particular, in order to attain "autarchy." The desire to raise all foodstuffs at home would be sheer madness, from the standpoint of ordinary peace economics. It involves an enormous waste of human labour and drives prices up. The standard of the industrial workers and of the urban lower middle classes is necessarily affected adversely. Germans pay 84 Swiss centimes for a kilogram of bread, whereas we in England pay only 27. The same tendency shows itself in the case of butter, margarine and other articles. Further, from the point of view of ordinary economics, there is no point in going through all the trouble and inconvenience which the ingenious "substitute" materials of Nazi Germany bring with them. The entire policy of "self-sufficiency," as practised in Germany, makes sense only if it is intended to render the country capable of standing up against a blockade in case of war.

§ 6 *The Men who Back Fascism*—Some words remain to be said about the social groups and forces which Fascism could and can mobilize.

The employed factory workers remained to a great extent impenetrable by fascist ideas, before the Fascists came to power. In Italy they resisted longer than any other group. In Germany the elections to the "factory councils" showed, until 1932, an overwhelming majority for the Social Democrats. The Nazis were only able to gain, in 1932, 4 per cent. of the votes in the factories, at a time when they had already reached 37 per cent. in the country.

It was mainly the younger elements among the unemployed, and the more active or bankrupt members of the middle class, who formed the mass basis for

Fascism. Germany had a vast army of permanent unemployed. The young people who grew up had neither a chance nor a hope to get work. The Nazi organization took them out of their despair and gave them a new sense in life, a new sense of importance. Fascist war preparation could not deter those unemployed. It meant work for them, for armaments, uniforms, roads, until the war breaks out. And then, it makes no great difference for a young man, permanently unemployed, "whether he rots in the streets of the big towns or dies on the battlefield for the glory of his country," to use the words of the Nazi, Dr. von Leers.

These unemployed were the backbone of the fighting force of the storm-troopers. But the bankrupt and rabid middle classes were the political backbone of Fascism, both in Germany and in Italy. Their story has been so often told that it is not necessary to repeat it here.

The big capitalists whom the legend has made the main inspiration of Hitler and Mussolini remained cool for a long time. In Germany, it was only after the Social Democrats had handed over the Prussian police, and the confidence of the workers in the Social Democratic trade unions began to fade away, that the capitalists as a class began to back Hitler and to prefer a collaboration with the Nazis to the coalition with the now crumbling Social Democrats which they had maintained for fifteen years.

After Fascism came to power in Germany, the employed factory workers began to swing over to Hitler, whereas the employers and the upper middle class soon began to show signs of hostility. The latter had expected too much, the former too little. In Berlin, during the last election, the highest percentage of "no" votes was cast in Dahlem, the Kensington of Berlin. Wedding, the main Communist quarter, occupied only the sixth place. The workers, fed on the Thyssen legend and the theory that Fascism is mere capitalist suppression, expected a régime of unparalleled tyranny.

But what they met with was something different. They met with the attempt to conciliate them, to win them over, to convince them. They came into contact, not with Thyssen, but with the lower strata of the Nazi Party from whom they had been separated by the bitterness of the civil strife

Fascism does not belong to that type of schoolbook tyranny which is run exclusively for the benefit of a small gang of tyrants and tramples upon the rest of the population. The Fascists would be simply mad if they made everything ready for war and forgot the warriors. They try hard to win the workers over, and their success has been great until now. A number of concessions are intended to make the worker feel that he has something to lose and something to fight for.

Faced with the task of giving to the worker without crippling the profit of the employer, the Fascists have devised cheap but impressive attractions. They adopted much of what they saw happening in Russia, leaving most of the Communist spirit behind. They saw how much advertisement the Russians got out of sending workers annually to the Crimea. The Nazis sent thousands of workers on a holiday, to the Bavarian mountains, to Norway and the Isle of Wight. Hundreds of thousands of Italian children are each year entertained in holiday resorts by the relief foundations of the Fascist Party. The hygienic conditions under which he works and the treatment he receives from his foremen are very important for the worker, and concessions in this respect are usually not expensive to the employer. The Fascists enforced a number of improvements, especially in the armament industry. The leisure time is subjected to public administration. A great amount of free and organized amusement makes the worker forget the loss of wages.

The social inferiority of the worker, the small esteem in which the upper classes used to hold him, is one of the main grievances of the working classes. "The

proletariat needs courage, self-confidence, pride, a sense of personal dignity and independence, even more than it needs daily bread," said Marx. The Fascists do everything to make the workers feel that they are the true pillars of the nation and its most valuable members. That is a weightier counterbalance to the lowering of wages by 30 to 40 per cent. than most people imagine. The Russians had already discovered that loud speeches about the virtues of the proletariat can for some time compensate the workers for a low standard of living. In the fascist countries these concessions are made with the deliberate aim of filling the working classes with the spirit of the Jacobin troops of 1793 and of the Red Army in the Russian Civil War. Herr Rudolf Hess, "representative of the leader," once remarked that "the whole of European civilization may go up in flames; but Germany must live." The future of Fascism will depend upon how far it manages to conciliate the industrial workers.

§ 7. *The Menace of Fascism*—Fascism is a menace to our civilization because our civilization is a menace to itself. It is absurd to call upon us to defend our civilization against Fascism. It is like planting apple trees without wanting apples. Fascism is capitalist civilization in a state of putrefaction, crying to be regenerated, rejuvenated and purified in a new war. Fascism and a new war will be unpleasant for everybody concerned. It might appear to be time that something should be done to avoid the danger. But Socialism, the only effective antidote, appeals to many opponents of Fascism to be more poisonous than the poison itself.



V

THE FRONT AGAINST FASCISM

By ROBERT FRASER

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## V

### THE FRONT AGAINST FASCISM

I do not suppose that many of us are really happy about the way in which much anti-fascist activity in this country has so far been conducted.

About some of it there has been a terrible and humourless unreality, as when, for example, the London Passenger Transport Board is sternly denounced as Fascism. There has been too much surrender to formula, as when Fascism is denounced as no more than a "phase of Capitalism," despite its success on the Continent in winning passionate support from men and women who had never supported Capitalism with anything approaching passion. There has been too much abuse and uproar, which present no intellectual problem, and not enough analysis and argument, which do. Some Socialists have assumed much too readily, in my view, that Fascism is quite impossible because of the British tradition and temperament. Others, going to the other extreme, seem to take the view that popular temperament and national tradition count for little, and draw direct parallels with German and Austrian experience, while Communists devote much of their propaganda to the simple assertion that Fascism, complete with "concentration camps," is already here.

Some believe that in the hour of danger Socialists and Communists must combine lest division between them hand the victory to the enemy. Others find Fascism and Communism both repellent, and reject



an alliance with Communists against Fascism as firmly as they would reject an alliance with Fascists against Communists. Some would suppress the Fascist Movement in the name of democracy, arguing that those who are not prepared to observe the democratic rules have no possible right to the democratic privileges. Others argue that it is not consistent with democracy that anti-democrats should be suppressed.

There is, in other words, a remarkable confusion about Fascism. There is agreement that Fascism is a terrible evil. There is not agreement as to how those who do not desire Britain to become fascist can in fact best prevent it

It is my job in this article to make an effort to sort out some of these differences, and to outline a course of action on which, it seems to me, an agreement, wide enough to make the defeat of Fascism certain, could be reached.

We are, therefore, in the position of a doctor faced with the task of warding off from his patients a disease to which they may possibly fall victims. If we try to be as cool and detached as a doctor, that will offer the best hope of success. Fascism rightly excites disdain and ridicule among a people reared in a climate of freedom. But let us remember that disdain and ridicule do not compose a scientific attitude. Nor will it do to try to guard against the disease by incantations and denunciations and a recitation of the gruesome horrors to which the patient will be subjected if the disease claims him. All the incantations and denunciations and recitations in the world will not check fascist epidemics, any more than they will check cholera.

We must really try to understand why people go fascist. We must see if we can agree as to what predisposes them to catch Fascism. We must, just like doctors, agree upon a diagnosis, we must know what the disease is, and why it has come, before we can prescribe treatment or establish methods of prevention.

Now, all this may sound platitudinous. But it remains the tragic truth, in my view, that democrats failed to stem Fascism in Europe, and even fell victims to it themselves, partly because they did not understand what they were up against.

I begin from these two propositions. Where democracy is effective, Fascism does not take root. But where democracy for any reason becomes paralysed and so loses its credit with the people, Fascism finds the emotional and intellectual soil in which it quickly spreads. To me it seems a truism that a people will remain democratic so long as it is satisfied with the way in which democracy is working. It is like saying that a tenant will not choose to leave his house and move into another unless he is dissatisfied where he is.

This is a very obvious and very unexciting beginning. But in my view those who make it their starting point in a consideration of anti-fascist strategy carry with them the only key to the difficulties on the road.

It is an illustration of the paralysing differences between anti-Fascists that these propositions which are to some self-evident should be regarded as totally wrong-headed by others. The proposition that Fascism flourishes where democracy fails is regarded by some not merely as untrue, but as the exact reverse of the truth. In their view, Fascism comes precisely because democracy is proving successful. It is, they say, not because democracy is failing that Fascism supersedes it; on the contrary, it is at the point when democracy is threatening the foundations of property and of privilege, when its challenge to economic inequality is realized, that the ruling class suspends its operation by instituting a fascist dictatorship to safeguard and render permanent its power.

History is at least decisive on one point. Fascism, both in Germany and in Italy, was preceded by a failure of democracy. Parliamentary government was failing to pass the first test of any political system: the capacity

to provide a strong stable executive. Democracy did not produce leadership. It produced only political crisis after crisis. Governments were formed and fell for want of binding principle and parliamentary backing. Social and economic problems peculiar to the post-war world were making the need for leadership more insistent than ever. No leader emerged. And people naturally became tired of the whole business. They welcomed the fascist threat to the "talking shop." They accepted the fascist offer of authoritative government. And it was symptomatic that both in Italy and Germany the title "leader"—Il Duce and Der Führer—became the chosen description of the dictator.

This real crisis in democracy was a great historical fact. But for its existence, I believe Fascism would have been avoided in Italy and Germany. It was one of the big dynamic reasons for fascist success. It possesses lessons for us of the very greatest significance. Yet it is usually given much less than its real importance by anti-Fascists, and especially by Socialists, in this country.

Some Socialists seem content to point out the obvious truth that Fascism fits the predatory interests of capitalists, rentiers, militarists, and reactionary politicians. Having done that, they feel they have disclosed the cause of Fascism. It coincides with the class interests of the privileged, and so they bring it about. It is just an "aspect of Capitalism, its last and most brutal phase."

But the really vital thing to understand is not why a small clique of capitalists and militarists support Fascism—after all, that is so obvious as to be understood without much intellectual exertion—but to understand why it gains the support of the millions who have no particular class interest in it at all, and many of whom, if they acted rationally, would oppose Fascism because they stand to lose by it.

Why, in other words, does the man in the street

support Fascism? For it is his support that makes Fascism possible. A few hundred capitalists, a few score militarists, cannot mysteriously persuade a people to surrender its liberty and enslave itself. Look at the thirteen years' history of National Socialism in Germany. From beginning to end it grew on the support of the man in the street. It possessed, and still possesses, all the characteristics of a mass movement.

Certainly Hitler received money from capitalists. But that is nothing to get excited about. Naturally he did. It suited the selfish interests of the privileged to support Hitler. But he was successful only because, as well as their support, he received the support of an army of common people.

They gave it him because they were not satisfied with democracy. And they were not satisfied with democracy because it was failing to work, and because they had lost faith in its capacity to solve national problems. Not because capitalists did not want democracy, but because millions of Germans did not want it either, and because millions more did not want it enough to defend it. In that emotional situation the Third Reich was born.\*

This is the reason why the first great safeguard against Fascism is a wide respect for democracy among the people, or, as the report of the General Council of the Trades Union Congress on "Dictatorships and the Trade Union Movement" put it: "Against the tyranny of Governments and a return to economic servitude, the institutions of free citizenship and the organizations of democracy are our strongest safeguards."

It follows that the first duty of anti-Fascists is to do all they can to maintain that respect, to make democracy work, and to refrain from conduct likely to weaken

\* In the German General Election of March 5, 1933, the Nazis received 43.9 per cent of the votes cast, the Nationalists 8 per cent, and the Communists 12.1 per cent, making a 63 per cent. vote against democracy. No wonder it collapsed.

either the respect in which it is held or the efficiency with which it works. Anyone who takes this view must regard with disquiet much of the propaganda of Communists and of that small fraction of the Labour Party which also advocates class war. For the members of this school of thought make light of democracy. Or rather they deny that democracy exists. They tend to dismiss as of no importance the benefits which democracy has brought, and they concentrate entirely upon the economic privilege which remains to the exclusion of the political privileges which have been destroyed. They do so, believing they are creating a climate favourable to the growth of Communism or Socialism.

This is the crucial difference which has so far prevented unity in anti-fascist propaganda. The Marxists have in effect said that the choice lies only between Socialism and Fascism, that those are the exhaustive alternatives. The British Socialists have said that there is not one choice, but two, practically and intellectually separate from each other. The first is the choice between democracy and Fascism. The second is the choice between Social democracy and Conservative democracy. The British Socialists, in other words, keep distinct the two problems, first of persuading the people to have nothing whatever to do with Fascism, second of persuading them to prefer Socialism to Conservatism. Just as the problems are separate, so the arguments appropriate to each are separate.

Let me put this another way, for it is vital to be clear about it. Democracy is not a form of society: it is a kind of government. It must not be identified with any set of social decisions, for it is a method of deciding what the decisions shall be. It is not to be confused with either economic equality or economic inequality. It is a method of deciding which is preferable \*. We are faced with not one, but two choices. First, by which

\* On this point, see the illuminating book "The Essentials of Parliamentary Democracy," by R. Bassett.

of the two methods of reaching political decisions, democracy or dictatorship, do we wish to proceed? Second, what political decisions do we wish taken, in favour of economic equality, for example, or against it? Clearly the question of method is prior. All who work democratically, whatever their objectives, are within the common agreement not to resort to force in the settlement of political disputes. Agreeing upon a political method, they co-operate in making it work. But those who advocate dictatorship are outside the common agreement, and co-operation with them is neither desirable nor possible.

Which is the really impenetrable armour against Fascism, the opposition on economic grounds of Communists and other Marxists, or the united front, thrown as wide as possible, of British Socialists, Conservatives, and Liberals, on political grounds? Is the safeguard against Fascism the class opposition of the proletariat? Or is it the common agreement of our people, in the three great parties, to resort neither to oppression nor violence in the conduct of politics?

In Italy, in Germany, in Spain, and the Saar, variations of the first method were tried. In each case the result has been pitiful failure and the imprisonment and martyrdom of those who tried it. All that class propaganda achieved was the isolation of the "advance guard" of the workers from the rest of the people, and so the preparation of a clear road for those who wished to oppress them.

The failure of the method is in one sense a pure failure of tactics. Here is an evil thing to be fought. On what grounds is the campaign to be conducted? What feature of Fascism are we to select against which to mobilize opinion? Surely that feature which will prove most unpopular. But since the majority of the people of this country are not convinced Socialists, then it is stupid, on purely arithmetical grounds, to seek a majority against Fascism on the ground, alone, that

it would oppress Socialism. And since the majority of the people are convinced democrats, the wise course surely is to create opposition to Fascism on its threat to democracy.

So far from doing this, the Marxist does even the reverse. He tends to convert a ready-made majority against Fascism into one for Fascism by posing his alternatives of Socialism or Fascism. For this is equivalent to saying to non-Socialist democrats: "Since you are neither Fascists nor Socialists your support is not relevant in this dispute, and, indeed, if you wish to prevent Socialism, your only hope is to go fascist." This is tragic and terrible wrong-headedness indeed. Yet it is in full blast at the moment. Well-meaning Marxists are careering about denouncing the Government as fascist, denouncing the Milk Marketing Board as Fascism, denouncing the Port of London Authority as Fascism, and condemning the Ministry of Labour's training and instructional centres as slave camps and concentration camps. This is playing the fascist game with a vengeance. Why, millions will say, if this is Fascism, then give us more of it. Yet the same millions will stand firmly ranked against the true essence of Fascism, which is the creation of a one-party State, the suppression of dissent, the execution, persecution, and exclusion from civic status of political opponents, and the abrogation of human rights.

The British Socialist avoids this madness. He works for a common front of democrats against Fascism. He isolates this from the subsequent question of whether those who compose it are Conservatives or Socialists or Liberals.

Socialists must really decide just what importance they attach to this common agreement of British people not to resort to violence as an instrument of political policy. For the importance we attach to this common renunciation of force is crucial to the strategy of anti-Fascism. If that is to be our chosen fighting ground,

we can recruit in our forces all who believe in the desirability and the practicability of the principle.

But if we choose this ground, then a United Front with Communists is logically absurd and strategically catastrophic. For Communists do not bind themselves to observe the agreement not to resort to force. Nor do they believe it to be real. They believe it will be abrogated when capitalists feel it necessary. But this is not the only reason why they pay it no respect. They believe that Communism must be preceded by a period of proletarian dictatorship. Thus, they will not even go so far as to promise respect for the principle so long as others respect it. If either a fascist or communist majority were elected to Parliament, parliamentary democracy would be suppressed. Thus an anti-fascist alliance with Communism compromises the great case against Fascism: it is an alliance with anti-democrats against anti-democracy.

It is my own view that those who advocate or join such an alliance, and generally accept and preach class war as the engine of social progress, are the one outstanding asset which Fascism in this country possesses. All the energy they throw into the struggle against Fascism does not hinder Fascism. It helps it immensely. It throws every person not attracted by proletarian war cries into fascist arms. And the gravity of this is that in every industrial country it has been proved over and over again that the overwhelming majority of the people will never respond to such war cries.

The class warriors go into battle with an army that is predeterminedly inferior in numbers and vastly inferior in equipment to the enemy which they have themselves notably excited and whose forces they have in a large measure unconsciously recruited.

It is because Communists stand outside the common agreement not to use force, while Conservative democrats stand inside it, that a Socialist can with intellectual self-respect associate with Conservatives for defined



ends but not with Communists. This is the real answer to Socialists who complain that the Labour Party countenances association with Conservatives in certain activities but not with Communists.

The common agreement is of precious and overriding importance. It binds and it divides in our political life, and it is right that it should do so.

Those who would serve this common agreement are under certain obligations to democracy. The first of them is not to foul her. There are some who do not advocate alliance with Communists, and who even claim themselves to be democrats, who do in fact betray democracy. Anxious to establish the importance of economic liberty, they forget the importance of political liberty. Breathing its air day after day, they take for granted its wide freedom. Political liberty, they say, is an illusion without economic freedom. So the German Marxists used to say. Now they have learned that democracy elects Socialists and Communists to Parliament, but Fascism confines them in prisons and torture dens.

It is no accident that many of those who have little living perception of the value of democracy are rich members of the upper middle class. For these have no need to use the great network of social services which is the most convincing practical achievement of English democracy. They do not understand them nor know what they mean to the ordinary people. Fortunately, average people are not deceived by this humbug about the "illusions of democracy." For they know that democracy sends the children to school, and helps to feed them, helps to house them and guard their health, pays them benefit or allowances or poor relief, gives them pensions and compensation for injuries, and watches over widows and orphans. And however inadequate such services still may be, fifty years ago they did not even exist.

Moreover, in Britain no man is punished, imprisoned,

tortured, or shot without trial for opposing the Government. Political agitation is free. The right of public meeting, of free speech, and a free Press is established and maintained. No political party is illegal, not even those who would declare all others illegal if they could. Parties may nominate candidates for Parliament, and if a free people at a free election chooses them as its representatives they sit in Parliament, which, if they are in a majority, they rule.

The Trade Union Movement is free to bring its enormous benefits to those whom it organizes. The Labour Party is free, utterly free, to organize for a Socialist Britain.

These are precious things, and they are strange Socialists who would decry them.

Then, since the parliamentary system is the institutional essence of democracy, it is vital that popular respect for it shall be maintained. When respect sinks below a certain point, the way is opened for Fascism to enter.

It is, I think, of some importance in this respect to eliminate as far as possible sham party fighting. Criticism of opponents, not because of what they are doing, but because they are opponents, and, therefore, according to the rules of the game, must be opposed, is wearing thin. People are getting fed up with dishonesty in political opposition. The tradition that it is the duty of His Majesty's Opposition to oppose needs re-examination. There are real differences between parties, and it is on those that division should take place. But criticism of the Government for not doing what the Opposition would not itself do, or for not knowing how to solve problems which the Opposition is not sure it can itself solve, brings Parliament into discredit, and is an asset to Fascism. Much of the conduct of any Opposition in Parliament is obstruction for obstruction's sake. That is a fascist asset. So is Parliamentary dilly-dallying. Severe damage could be

done to Fascism now by reforming Parliament drastically along the lines suggested by the Labour Party.\*

Here once again it is necessary to be clear-minded. The abuses of the party system must be checked. But the party system itself is the very foundation of parliamentary government, and, without it, democracy would be inoperable.

While rejecting as the sheerest claptrap the accusation that the National Government is fascist and that "we have moved definitely along the path towards the Corporate State," it is necessary to draw attention to the dangerous attacks on party government as such continually made by members of the Government, and especially by the MacDonaldite fraction

It is, of course, part of the stock in trade of the Government to parade as something greater than a party government. The MacDonaldites are a party with an evil conscience, and, whenever the still small voice speaks to them, they drown it with an oily flow of appeals against a "return to party government"

The claim which accompanies these appeals is, in fact, a claim against the right of dissent. It challenges the very right of His Majesty's Opposition to exist. It is equivalent to declaring that every British citizen should either agree with the Government or be suppressed.

This is indeed the milk of fascist gospel. It deserves the disgusted repudiation of all democrats

We must now pass from this discussion of democracy as a safeguard against Fascism to a consideration of the leading part played by the middle class in the European Fascist Movements.

The first and most striking phenomenon reported by intelligent and disinterested observers is that Fascism has drawn its main support from the middle classes.

\* Labour Party National Executive Committee's report on "Parliamentary Problems and Procedure." Report of the Southport Conference of the Party, pp. 261-263.

Fascism is, in fact, characteristically a middle-class movement. It is the political assertion by the middle classes both of their existence and of their power. It is their political movement, just as in countries where politics are conducted on class lines the Conservative Parties are the political movement of the "upper classes," and the Socialist Parties the political movement of the "lower classes." And it provides emphatic evidence that the potential political activity of the middle classes has been substantially under-rated.

Socialists must recognize that since the Socialist Movement did its early thinking, since the appearance, for example, of the Communist Manifesto in 1848, a great new social class has arisen. This class—the middle class—is as significant in its way as either the working class or the capitalist class.

In Marx's time this class was small, and the Communist Manifesto suggested that it would grow still smaller. It suggested that most of its members would be drawn back into the working class as Capitalism developed.

On the contrary, it has grown with astonishing rapidity in numbers, wealth, power, and influence, until to-day its members discharge great managerial and administrative functions throughout the economic system.

The middle class is not a class of small property-owners at all. It is not a passive rentier class. It is a dynamic class. It is a class of middle-class *workers*. That is why it is formidable.

Moreover, it is increasing in size much faster than any other class.

The application of machinery to production is exercising a revolutionary influence on the class composition of the community to which many Socialist propagandists have not yet awakened. Every day the relative size of the working class is declining. Every day the relative size of the middle class is increasing.

In truth, the main problem confronting the Socialist is to decide what steps should be taken to ensure that the middle classes do not turn fascist. For if they do turn fascist, the outlook is desperate. But so long as they do not, then the possibility of Fascism can be wiped out.

Now, it is clear at once that the middle classes will never be rallied against Fascism on a platform of proletarian solidarity. The idea is laughable. The "United Front" and class warriors have nothing in their repertory which will elicit the smallest response from the middle class.

On the contrary, their whole effect must be to antagonize the middle classes and drive them into the enemy camp.

This is precisely what did in fact occur in Germany. German Socialism was a class creed, even among the respectable Social Democrats. It made "bourgeois" an adjective of faint derision. It was either abusive to the middle classes or else it ignored them. It gave the impression, therefore, that in a Socialist State the middle classes would have no place, be of no importance. The inevitable result was the slow accumulation among the middle classes of hostility to Socialism. This hostility they discharged by turning fascist. And the result was that those who preached class war got the war they were unconsciously asking for. Socialism was put in a concentration camp.

Thanks largely to Keir Hardie and the Fabians, British Socialism has always been based not on class, but on citizenship. It has not gratuitously offended the middle classes. And if there is no material fascist menace in this country, we have to thank for it the genius of British Socialism in establishing itself as a national rather than a class movement.

Now, just as it is obvious that middle-class support cannot be secured by a class appeal, so equally it is clear that it can be gained for a democratic campaign.

For once again, by the fortune of history, the British middle class has a strong liberal tradition. English Liberalism is its creation. Fascism challenges that tradition. Instinctively the middle classes are not fascist but anti-fascist. They will never go fascist unless Socialists make them

At this stage of the argument, the Marxists will be muttering derisively, and it is time to pay attention to what they say. In their view, to base any hopes on the reality and desirability of the common agreement is madness. There comes a point of challenge. At that point capitalists will prefer the retention of economic privilege to the maintenance of democracy. They will therefore attempt to establish a dictatorship. Now this, in my view, would not constitute Fascism. For all dictatorships are not fascist. What differentiates Fascism from other dictatorships is mass backing. And in this article I am primarily concerned with the means of guaranteeing that such mass backing is not offered to Fascism.

But, broadly, I believe that the best strategy against Fascism is also the best strategy against capitalist dictatorship.

In the first place, minatory proletarianism definitely excites the capitalist will to dictatorship. In the Communist form the challenge of violence is explicit, and naturally excites counter-challenge. In the form of Socialist League Marxism, the cry to the workers to rally is heard by capitalists as a demand for them also to combine. Thus Marxist propaganda increases the possibility of political violence. If political violence does break out on issues created by Marxist propaganda, I am absolutely convinced that the workers must under modern conditions be defeated. \* Germany, Italy, Austria and Spain serve as evidence. Violence, or

\* "If they went in for the method of force, they would be badly beaten"—Sir Walter Citrine, addressing the Brighton Trade Union Congress, September 1933

anything that makes violence more likely, is in the very worst interests of the workers. The Marxists have, I believe, decisively increased the possibility of violence in our politics by weakening the common agreement to outlaw force.

I do not really regard a capitalist attempt to interrupt the democratic process as anything but improbable, assuming that the Communists and the Marxists do not increase in influence \*. Should they do so, or should the Labour Party play the reckless idiot, then I believe a capitalist dictatorship, and even Fascism, are possible. If we allow that to happen, the fault will be our own. We will have imprisoned ourselves.

Everything suggests that Socialists stand to gain by mobilizing opinion behind the common agreement. Everything suggests they should conduct themselves as representatives of the common classless demand for social equality and economic democracy, rather than as the spearheads of a class menace to another class.

In conclusion, I must answer those who will be feeling that I have said little about propaganda for Socialism, much about propaganda for democracy.

That is true. I have explained why I have done so. I insist again that effective propaganda entirely depends upon isolating propaganda against Fascism and against Conservatism as two entirely distinct intellectual problems. We have two battles on hand: against Fascism as democrats, against Conservatives as Socialists. In the first we can honestly co-operate with Conservatives, in the second obviously we cannot.

Only at one point do the two solutions touch. Socialists are more hostile to Fascism than anyone else. They lose twice by it. They lose democracy and Socialism. Thus the more Socialists there are, the less chance there is of Fascism, so long as the Socialists

\* Should democracy be suspended or destroyed, a democrat of course becomes a revolutionary, justified in taking any steps, including violence, to restore democracy and protect it.

are not secured by Marxist methods which, as Sir Walter Citrine has said, have created one Fascist for every Communist. ,

Because it makes Socialists of those most likely to become Fascists, and because such converts would occupy positions of social and political influence, I believe myself that socialist propaganda which makes an effective impact upon the middle classes is now our great need. The essence of that effectiveness is not to label ourselves a class party, for that is an invitation to middle-class workers to stay out; to be absolutely honest in opposition, because old style party fighting makes intelligent and disinterested people fed up, to be sure that we are reasonably clear in our own minds about the detailed steps we wish to take, for the middle classes shy from administrative incompetence; to make plain the opportunities for service to the community which socialist planning from the centre offers to the middle classes along with the workers; and finally to appeal to middle-class idealism.

One possible misunderstanding I must remove. It is a first-class error to assume that Socialism must be watered down to appeal to the middle classes. Certainly the class snarl must be kept out of it. But that is no true part of it. On the contrary, it is an accidental evil. All that is good and creative can be left and must be left.

If we could so secure middle-class support, Fascism would not even be a faint possibility in Britain. My own final view is that Fascism is in any case not a menace unless we make it so.





## VI

### THE TRADE UNION FIGHTING FRONT

By HERBERT TRACEY

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In 1926 the Trades Union Congress decided to have its own Publicity Department, and appointed him as its Publicity Officer. He has been practising in the specialized field of Labour, Socialist and Trade Union journalism since 1910, and has acted as special correspondent for newspapers and news agencies at home and abroad. He contributes extensively to the Labour and Trade Union journals, and is the author of numerous pamphlets and the following books: *J. Ramsay MacDonald A Biographical Essay*, *The Coal War in Britain* (American edition only), *The British Press*. *A Survey*; *The Book of the Labour Party* (3 Volumes), etc., etc.



## VI

### THE TRADE UNION FIGHTING FRONT

SOCIALIST propaganda has assigned to the Trade Unions many tasks which properly belong to other organizations of the working class. If one adopts the military metaphor of the title to this article, one might say that the Unions have been variously regarded by our strategists: sometimes as shock troops, as the mass of manoeuvre, the general reserve—and even as the patient milch cow whose distended udders hold comfort for the army in the field and guarantee contentment on the home front. The metaphor, however, becomes unmanageable, as well as gloriously mixed, if one retains it too long for the purposes of either history or prophecy. Historically, the Unions have not consented at any time to play an assigned rôle in the strategy of working-class struggle, or to occupy any particular sector of the fighting front. Frederick Engels was perhaps right in saying, sixty years ago, that one of the reasons for the slow movement of English Labour, despite the splendid organization of the individual Unions, was its indifference to theory. It is certainly not difficult to interpret the wistful glances cast by our strategists towards the Unions as the vector of organized power, in disciplined numbers and not despicable financial reserves. But no theory of working-class struggle will avail to bring the Unions into action to attain other objectives than those which the Unions, as historically conditioned bodies, set themselves to accomplish. And this does not simply mean that the

Unions can neither be led nor driven into action for other than self-determined ends: it means that the Unions cannot themselves conceive or conform to any plan of campaign fixed too far ahead of events.

An opportunist policy is forced upon them, not because they have a base and cowardly preference for opportunist policies, but because they must have regard to the economic and social conditions which at any given moment may favour or deter their action in furtherance of their prime objects. A Union's first duty is to its own members. Its first concern is with the trade or industry in which its members are employed. Its prime objects are the defence of the standards of employment and the improvement of those standards by the methods of collective bargaining, the removal of grievances, and the settlement of disputes. No Union can ignore these obligations: the discipline, the loyalty, and the resources which give them all the usefulness they possess for the working-class movement as a whole are preserved by the Unions through their efficiency and success in dealing with these immediate tasks.

On any theory of working-class struggle, the importance of the part played by the Unions in resisting the dictatorship of Capital cannot be gainsaid. It was this aspect of Trade Union function on which Karl Marx laid emphasis in the report he prepared upon Trade Unionism for the first conference of the International in 1866. Resistance to dictatorship in the day-to-day affairs of the workshop, in the wider field of a whole trade, or in a whole group of industries is an essential feature of Trade Unionism. It is prosaic work, like the digging of trenches to arrest and contain the advance of an invading army. It has none of the glamour that surrounds the idea of launching the organized forces of Labour in one compact mass against the citadels of Capitalism. Propaganda plays with this idea. To those who play with it the Trade Unions seem to be providentially designed for the purpose, and the atten-

tion given by the Unions to the provision of trade and friendly benefits and the routine practice of collective bargaining is viewed with some impatience. By providing, out of the wage-earners' own resources, cash benefits, legal advice, and help in other ways that mitigate the rigors of capitalist employment, it can be argued that the Unions are assisting to perpetuate the capitalist system, and that the negotiation of agreements with capitalist employers does nothing to hasten the overthrow of the system. Union benefits, it is suggested, are no longer necessary, that field being covered by State insurance and social services which were not in existence when the Unions instilled the principles of thrift and mutual help. Even collective bargaining between employers and employed would tend to lose the importance now attached to it if the Unions were only animated by the proper spirit of militancy and aggression, and sought to magnify disagreements rather than to negotiate agreements. Logically, it is contended, the traditional practice of collective bargaining leads to "Mond-Turnerism" and similar bourgeois horrors of compromise and betrayal.

This view of Trade Unionism as an organized force to be used in a series of well-planned attacks upon Capitalism emerges from time to time in the discussion of working-class strategy. It is the conception embodied in the propaganda of Syndicalism, "direct action," the general strike, and other forms of industrial warfare. The objection to it is a practical one. As a policy and programme for the Unions it fails to take account of the fact that trade unionists, and the wage-earning class as a whole, live by wages. Industrial turmoil, incessant conflict with employers, frequent strikes, systematic interference with the normal operation of trades and industries that provide the bulk of wage-earners with their means of livelihood, would very speedily exhaust the resources of the Unions. That perhaps would not matter if such assaults not only overthrew capitalist

domination, but also placed industry under social control and enabled production to be resumed in an orderly manner before the workers and their families starved to death. Action on these lines, either in a series of attacks or one grand assault, is much more likely to end in some form of fascist reaction and the entire suppression of the Unions. In any case, the Unions could not be thrown into battle in this way without a good deal of preparation and planning to ensure that the workers and their families did not starve to death, and to secure control of State powers and agencies which would otherwise be used to defeat the workers. Such preparations would have to be not only comprehensive, but secret: they would, moreover, involve real warfare.

Is this sensible? It is neither sensible nor feasible. It presupposes an internationally organized and disciplined working-class movement imbued with the revolutionary spirit and ready to stake everything in a final sanguinary struggle. Apart from the difficulty of calculating the historical moment that will mark the final engagement, there is the further difficulty of assuring its finality. The resources of Capitalism are pretty considerable, and they are also international. World revolution is a large order. Happily it is not the purpose of this article to explore the possibilities of world revolution. We are concerned only with the Trade Unions.

It will be useful here to emphasize the fact that historically the Unions have not been the instruments of revolution in this sense at any time or place. Lenin, in a speech delivered at the Eighth All-Russian Soviet Congress in 1920, indeed, contended, against Trotsky, that while in the dictatorship of the proletariat the rôle of the Trade Unions is indispensable, they are not an organization for action, but for education: organization for action comes from the revolutionary proletariat, but the advance guard of the revolution is not in the Trade Unions. "The Trade Unions," he said, "connect the advance guard with the masses. In their every-day

work the Trade Unions teach the masses, the masses of that class which is in the position of transferring us from Capitalism to Communism." On the other hand, Lenin adds, the Trade Unions are the reservoirs of the powers of government in the period of transition from Capitalism to Communism, while the change is actually going on. "This change," he said, "cannot be successfully accomplished without the services of the Trade Unions, which constitute the only class educated by the Capitalism of large-scale production, and the only one which is separated from the interests of the small owners."

Revolutionary experience, speaking here with the authoritative voice of Lenin, confirms the theoretical view of Trade Unionism held by Karl Marx. In the report to the First International, referred to above, Marx said that as long as the contemporary order of society exists, the activities of the Unions must perforce be directed to the immediate tasks of the daily struggle with Capitalism; but he pointed out that the Unions also become involuntarily the organizing centres for the working class, just as the communes and municipalities served as centres of organization for the bourgeoisie in the Middle Ages. Marx wrote, of course, at a time when working-class organization was still in an elementary stage: the main structure of Trade Unionism had been raised, but there was no effective political organization of the proletariat, no central organ of authority for the Trade Unions, and not many Unions with adequate national machinery of administration and control. Marx wrote, too, from the standpoint of a theory of revolution that was interpreted in terms of social crisis. Behind the references of both Marx and Lenin to Trade Unionism one may discern the idea of Social Revolution as an abrupt event reached at the historical moment for which organization had prepared the working class. This view did not completely allow for the discovery within the Trade Unions themselves of self-determined



aims and the capacity to change the character of the social process. Trade Unionism has, in fact, been an educative factor, as well as means of organization and a method of struggle for the working class: it has taught the workers the principles and practice of economic democracy, and has developed amongst them a conception, still vaguely defined and perhaps imperfectly comprehended, of the Unions taking control of industry and making the governance of this province of the national life their contribution to the new order of society.

Such a conception has been inherent in Trade Unionism from the earliest days. As Sidney and Beatrice Webb have shown, the Unions did not originate primarily as a protest against intolerable industrial oppression. the origin of the Trade Union as such is in the divorce of the worker from the control of his work and in his separation from the instruments of production. To restore to the worker the control of his job was the fundamental purpose of Robert Owen's organization, and his propaganda of Trade Unionism was combined with his ideas about co-operative associations of producers and consumers. One of the manifestoes of the Council of the Grand National Consolidated Trades Union proposed that each trade society should open shops for dealing with one another and profitably employing their workless members. "Let the Bakers' Union in the first instance open shops where all unionists could be supplied with bread or have it baked for them. Butchers' shops, gardeners, cheese-mongers and other provision dealers, tailors, shoemakers and other trades should do the same. By these means the producers of real wealth would be enabled to keep the greater part of the circulating medium in their own hands, and thereby become what the political economists have often tauntingly told them to become, capitalists."

The evolution of capitalist enterprise frustrated the realization of this somewhat naive theory of co-operative

production by Trade Unions, and subsequent attempts to give effect to it, in this crude form, have not given it any fresh currency amongst trade unionists. Experiments in the direction of utilizing the financial reserves of the Unions, after concentrating them in Labour Banks, as a method of obtaining a hold over industry, have not been successful either: it seems fairly obvious that it is not in this way that we shall reach the position where labour hires capital rather than is hired by it. But all such experiments and the advocacy of such ideas bring into sight these deeper motives and longer aims of the Unions

Resistance to the dictatorship of capital, clearly, passes into a new phase when the Unions begin, either unwittingly or deliberately, to invade the employer's right to "run his own business" In countless ways the practice of collective bargaining has encroached upon the sphere in which capital has exercised dictatorship. Many of these encroachments have been made under cover of legislation, but most of them represent, in the form of national agreements, trade customs, or workshop practices, the successful self-assertion of the Unions themselves. Trade Union history is very largely the history of a struggle for mastery that has gone on within industry, and the machinery for the adjustment of disputes and the negotiation of agreements, some of it statutory but most of it voluntary, can be regarded from one standpoint as investing the Unions with authority and responsibility in relation to the conduct of industry.

That the Trade Unions have not entirely conquered the province which, on this view, they are ultimately to occupy, requires no illustration Neither is it a matter for apology. The invading forces have penetrated deeply. They could not possibly be ejected now. Their further advance, in this direction or that, can, indeed, only be temporarily stopped. But the advance would be much more rapid if the conquest of this province were not left entirely to the Unions, and if the

plans of the general staff embodied a complete strategy of conquest to employ the political and industrial organization of the working class for the attainment of democracy equally in the social and economic spheres. One aspect of a strategy of this kind is that legislative changes affecting ownership, management and control of industries and services which the workers' political party secures should enlarge the functions and responsibilities of the Trade Unions. The Unions in this regard ought to be very much in the nature of an army of occupation, taking possession of new tracts of territory, where the principles of economic democracy can be applied and a fresh point of departure taken in the breaking of the capitalist front.

The difficulty is to see our problem in terms of a campaign, and not in the terms of dashing cavalry charges in all directions at once. The organized working-class movement is now in possession of formidable powers, both economic and political, and by their use, on no very co-ordinated plan of campaign, great breaches have been made in the capitalist front. Some of them were made more by luck than design. They have not been made, in this country, by any very high-handed or violent action of the Trade Unions. The Unions have won their present position in the State, as the Labour Party has won its place, through the development of democratic principles and institutions, and it is significant that the only real curtailment attempted for a hundred years of the powers and functions of the Unions was sustained by the plea that organized Labour was "acting unconstitutionally" and interfering with the working of the democratic system.

The growing power of the Trade Unions, alike in politics and industry, has provoked capitalist reaction. It was the growth of their political power which caused the older parties in 1913 to interfere with the rights of trade unionists in their association with the Labour Party. The growth of industrial power, as manifested

in sympathetic strike action, under the leadership of the T.U.C. General Council, has led to further interferences - the provisions of the 1927 Act show clearly the nature of the fears which have taken possession of the ruling powers, as the Trade Unions encroach more closely upon the vital centres of political and economic authority.

These repressive measures in this country spring from a similar source to that which inspired the programme of reaction in Italy, Germany, Austria, and everywhere else that Fascism has raised its head. Fascism is the counter-revolution in the field of industrial organization, as well as in political government. It gained its astonishing triumphs as a political movement because it employed skilled demagogues having behind them the enormous resources of the big industrialists to organize, against trade unionists and social democrats, the masses of the lower middle class. With the political power thus obtained, the big industrialists were able to smash both the industrial and political organizations of the working class with the same hammer-blow that destroyed the foundations of the democratic state. Political democracy had to go with the débris of the Trade Unions, for it was the working of the democratic system that had given both State power and economic power into the hands of the working class.

The totalitarian State represents capitalist autocracy in the fullest amplitude of its design, and probably in its final phase - it is not democracy, or Socialism, or Trade Unionism, but Capitalism which has made the State once more a despot, and has destroyed freedom, for purposes of sheer class dominance. This is a remarkable achievement for Capitalism in the twentieth century, but it cannot last. Socialism and Trade Unionism, combining with ideals of freedom the ideas of economic democracy and the organised power that will achieve them, are dynamic forces. Their progress has resulted as much from the development of modern scientific technique in industry and finance, as from the spread of

education, propaganda and mass organization amongst the wage-earners

It is possible, even probable, that the corporative structure erected by Mussolini and Hitler, that to-day serves the purposes of the big industrialists, will to-morrow serve those of Socialism and Trade Unionism; for there are, in the fascist corporations, ideas about economic organization and industrial self-government which derive from our own working-class movement. They are perverted in the hands of the capitalist class, which, by a *coup d'état*, seized the control of State power afresh and, for the time being more tightly, as it was slipping from their possession into the control of the wage-earning class. But Capitalism, not for the first time, when it seems to be entitled to celebrate a victory, should be lamenting a defeat. It has saved itself, in promoting the fascist counter-revolution, by its adoption of forms of industrial organization and economic government that the Trade Unions can transform, that the Trade Unions can energize, when the onward march of democracy is resumed.

Democracy's onward march, however, ought now to be resumed on all fronts simultaneously. Political action by the organized working class is not an alternative to industrial action. Industrial action is not an expedient to be adopted when the Movement is politically at a standstill, or when it incurs a temporary setback. Our aims in politics and the activities of the Trade Unions combine the economic forces and social tendencies that the capitalist order called into being. Capitalism is not eternal, it is not a cosmic process: it is a stage in the evolution of society, comparatively short-lived, that has already fulfilled its historic mission. It has solved for society the problem of production by its development of the machine technology, its exploitation of science and invention, and its world-wide ramifications which have unified transport, agriculture, industry, finance and the organization of markets,

without regard to political frontiers or the limitations of national sovereignty. It has not solved for society either the problem of distributing the material wealth it is capable of producing, or the problem of economic government, which arises from its own free exploits and achievements in the field of production.

For the machine age the true economy is not Capitalism, but Socialism—that is now clear, for Capitalism can neither utilize the full productive capacity it has created, nor can it distribute, under its own price system and property conventions, the total product of the machine. It is compelled, in order to preserve the conventions of private property in the instruments of production, to operate a price system which obstructs the distribution of commodities and restricts consumption. The destruction of actually produced commodities, restrictions upon output, and the periodical sabotage of the productive mechanism by those who control it, are now the only means that Capitalism has of maintaining its proprietorship of the instruments of production. But these are anti-social measures. Common-sense revolts against their use. The seizure of political power and the capture of all the organs of State authority, and the monopoly of all the means of controlling mass opinion, will not avail to save a system which resorts to such expedients. Social control is patently the next stage in the evolution of society. Capitalist dominance is giving way, and new organs of economic governance, called into existence by society itself, are superseding the control exercised by individual capitalists and groups of capitalists. Authority in the economic sphere accrues to the Trade Unions, as they have been the agents that have most strenuously and persistently resisted the dictatorship of capital and have been the means by which the producing class has learned the technique of production.

The main lines of working-class strategy thus appear to be fairly clear. Politically our task is to transfer

from private hands to society, control of the machinery of production. But the transfer of ownership is not enough: along with it must go the enlargement of Trade Union authority in administration and management of socially controlled economic enterprise. Any legislative measure which transfers an industry or service from private to public hands, and does not at the same time associate the Trade Unions with their administration and control, is not a true socialist measure. If it transforms a private enterprise into a public service, but leaves the workers therein no more responsibility for its conduct than they had before the transfer took place, it is only a half-way house to Socialism: it is a political revolution and not an economic change, and the Unions stand for economic change, for economic democracy, for social ownership and workers' control, the last term translated here as a control exercised through the Trade Unions.

## VII

# THE ECONOMIC STRENGTH AND WEAKNESS OF MARXISM

By DOUGLAS JAY

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## VII

### THE ECONOMIC STRENGTH AND WEAKNESS OF MARXISM

§ 1. Good propaganda is very often bad philosophy, just as good philosophy is generally bad propaganda. The business of political leaders is to rouse the multitude; and if those leaders were burdened by too pedantic a regard for truth, they would not succeed. Mankind in the mass finds it difficult to understand a truth in its real, unsimplified form. They can more easily understand a crude, distorted version of it. It is natural, therefore, that all the great religious and political doctrines that have won victories in the practical world have been in themselves, logically and intellectually, indefensible. Marxism is obviously a doctrine of this kind. What Marxists mean is true; what they say is not.

This is now fully admitted by most reasonable followers of Marx. Many who admit it, however, are inclined to infer that any scientific criticism of Marxism is consequently irrelevant and futile. Why trouble, they argue, to dissect the fallacies of what was never meant to be correct and spoil an excellent political weapon by misguided intellectual criticisms? The answer is that even the most intelligent of men are apt to be taken in by the exuberance of their own propaganda. And this is fatal. Whatever the mass of men may believe, it is essential that the leaders and inspirers of a political movement should have a dispassionate and realistic knowledge of the goal they are aiming at, the methods

they are to use, and the forces that stand in the way. Socialists ought to have an even more clear and lucid economic philosophy than the nineteenth-century Liberals. But, unfortunately, Marxist economic doctrine was elaborated when the science of economics was in a very imperfect state; and Marx took over from the classical economists some very half-baked theories. Since then, however, economics has made great advances, and it is possible to-day to work out an economic basis for Socialism much nearer to the truth than Marx's first approximations. In any case, a little clear thinking will not do Socialism any harm.

§ 2. *Economic Determinism*.—The Marxist \* philosophy of history and politics, grounded as it is on economic ideas, has exerted a great practical influence on the Continent, and has lately become celebrated in this country. It is a philosophy, unfortunately, which is capable of innumerable interpretations; and no Authorized Version is available. To criticize all its ramifications in a short space is consequently impossible. But it is possible to examine some of those interpretations which have most powerfully influenced practical politics, and to distinguish the truth in them from the fallacy and confusion. The first thing to say about the Marxist philosophy is that it is not a philosophy at all, but a historical generalization; or rather that in so far as it pretends to be a philosophy it is worthless, but that in so far as it is a historical generalization it is of very great value and importance. The Marxist doctrine of "Dialectical Materialism," about which so much arid nonsense has been written, professes to take over Hegel's conception of thought as thesis, antithesis, and synthesis, to apply it to the historical process, and so to discover certain universal, necessary, and all-explaining laws of development. This is extremely superficial. To apply the Hegelian dialectic to the political struggle

\* This article is not concerned with the question what Karl Marx did, or did not, say or mean. That is a question for historians.

in this way is rather as if a man, having listened to a lecture on biology, and having heard that the generation of a child can only result from the union of two parents, were to emerge into the street, to observe two buses draw alongside one another and a small car subsequently appear beside them, and to infer that an exemplification of the biological process had occurred before his eyes. If we are to apply philosophy to history, we must achieve a rather more subtle and comprehensive synthesis than this.

The so-called "Materialistic Conception of History," which is supposed to be derivable from Dialectical Materialism, may be interpreted in the sense of philosophical realism, as opposed to idealism, that is, the belief that the object of thought, or even the physical body, and not the thinking mind, has real existence. Undoubtedly many early Marxists were influenced by this kind of belief, along with much crude nineteenth-century "Materialism" of the "Genuine will only be Things which you may touch or see" order. Again, the "Materialist Conception of History" may simply be interpreted to mean that the only human motive is a desire for pleasure, or for self-interest, or for economic advantage; or it may go even further, deny the freedom of the human will, and so become indistinguishable from ordinary mechanistic determinism. All these interpretations, however, are philosophical, and must be established or refuted on philosophical grounds.

When the Marxist conception of history comes nearer to concrete events, it comes nearer to common sense. Many Marxists would make of it nothing more than the historical generalization that the motive of self-interest is enormously important in human affairs, that a man's self-interest depends on his place in the economic process, and that changes in that process are consequently a fundamentally important factor, if not the most important factor, in determining the historical process as a whole. This is a belief which is surely

both true and important. Throughout history, from the time of the Greek tyrants onwards, the struggle between economically distinct classes has clearly been one of the most powerful factors determining the course of events. To-day, when technical and economic progress has enormously multiplied the world's productive power, it has become a dominant factor. If we look round on the contemporary political scene in this country, what we see, in the large, is a conflict between the dispossessed masses seeking to achieve a juster distribution of wealth and a small property-owning class trying to prevent that redistribution. The political opinions of the population are determined almost (but not quite) exactly by their economic status. Cheltenham votes one way and Merthyr Tydvil another, as everybody knows. The issues debated by Parliament and municipal authorities are seldom anything else than the question how much, or how little, money is to be taken from the rich and given to the poor. To deny this fundamental conflict is simply self-delusion.

It must also be admitted that the nineteenth-century Liberal philosophers grossly over-estimated the power of rational persuasion to influence men and events in the dust of the political world. The majority of men cannot, except rarely, be rationally convinced; and there are a great many men who are prepared to defend their economic interests in defiance of all forms of persuasion, short of superior force. This is one of the central truths of Marxism, and it is essential that Socialists should realize it. Otherwise they will be mere ineffectual angels, earnest but utopian, like so many Liberals.

But when we have realized this, let us not fly away to the other extreme and mistake a useful generalization for an all-embracing philosophy. To assert that the economic factor is the only historical cause, that all men's opinions, feelings, and aspirations are determined by it, that all thought, literature, and art are the product

of some mechanical determinism, is simply to ignore the facts. It is true that the opinions of most men most of the time are determined by irrational and often economic causes; but it is not true of all men all the time. To argue that the cant and twaddle uttered by the average Member of Parliament is economically determined, would be all too true. To argue that every line, rhythm, and sentiment of a poem of Shakespeare or Shelley was similarly determined, would be childish and pretentious nonsense. Men have independent minds which are capable of understanding and desiring the values of freedom, justice, equality, and beauty. The case for Socialism ultimately rests on the superiority of those ideals to the facts of chaos, poverty, and war. Unless the leaders of the working-class movement realize this to the full, they will not succeed; they will merely play into the hands of sentimentalizing, romanticist Fascists. Reason and idealism are just as essential to the Socialist cause as propaganda and money.

§ 3 *Value and Profits*.—The truth and falsehood in the central economic doctrine of Marxism, the labour theory of value, are harder to disentangle. The theory of value is an intricate and difficult subject, extremely liable to confusion, and when it is handled with a propagandist motive, the confusion becomes horribly confounded. First of all, two vital questions are confused which ought to be kept radically distinct: the question how prices and incomes, given certain conditions, *are* determined; and the question how they *ought* to be determined in an ideal world. As an answer to the second question the labour theory of value is, in a sense, true; as an answer to the first it is almost wholly false.

In its most usual form the Marxist theory of value asserts, broadly speaking, that the value of a commodity is determined by the amount of labour required to produce it, and that the whole income derived from the sale of the commodity ought consequently to accrue

to labour alone. All other incomes but wages (and perhaps salaries) are a "surplus," to which no service corresponds. Now, this theory contains a great many important theoretical flaws. In the first place, it is inclined to assert the existence of an absolute, intrinsic "value" for each commodity; and so to confuse the price, which is simply the ratio in which one commodity exchanges with others, and the "utility," or intensity with which it is desired, which may be an absolute magnitude, but only in relation to a given consumer in given conditions. Further, it is not true that price is determined by cost alone, independently of demand; nor is it true that price is proportionate to the amount of labour required; nor is it true that amounts of labour can be reckoned in any unit, except price, which will show an identical price for every unit involved. Some Marxists, like Mr. John Strachey, try to evade this last difficulty by arguing that the amount of labour time corresponds to price, not for each commodity separately, but for all commodities together. If this interpretation is adopted, however, the Marxist conception of "value" loses all precise meaning and practical significance.

These, however, are theoretical criticisms important only in so far as we wish to build up a science of economics as well as a Socialist State. Much more essential for practical purposes is the falsehood of the Marxist thesis that labour is the only service necessary for the productive process. This is so crucial an issue that it is worth considering in some detail. It is vital to remember that an economic service does not *necessarily* imply effort or merit; it is simply a function without which the production of goods is impossible.

Remembering this, let us suppose that there is a working man who earns his living by tending a petrol pump and doing jobs as a mechanic. He works a certain number of hours every day, and earns a certain sum. If he likes, he may continue working the same hours in

the same way, and earning as much, and consuming as much, indefinitely. Now, suppose he decides to work one hour less on his petrol pump and mechanic's jobs every day for a year, in order that he may spend that hour in building a garage to let out in later years. (We may also suppose, if we like, that he buys the material for the garage with the income from one of his remaining hours of daily labour) In that case, during the garage-building year he will lose two hours' wages every day, and he will have to refrain from consuming what he could have bought with those wages. In the subsequent year, however, his income will be increased by the rent he receives for garaging cars; and since he can now work as a mechanic as many hours as he did in the pre-garage-building year, his total income will be greater than it was in that year.

Now, it is surely clear that during the garage-building year he was performing another service distinct from, and additional to, that of labouring. He was not only labouring, just as he had done before, but was also *waiting* to consume the products of his labour, as he had not done before. It was only because he thus "waited" that the garage could be built and his income raised in the post-garage-building year above what it was in the pre-garage-building year. The garage is the product, not merely of "stored-up labour," but of labour and "waiting" in co-operation.

Unless someone had thus "waited," the garage could not have been built; but it need not necessarily have been the worker who waited. There is a third possibility. Suppose a friend had lent him throughout the garage-building year the money he lost through working one hour less as a mechanic and the money necessary to buy the raw materials. Throughout that year the worker's income, consumption, and working hours would be exactly the same as before. When the garage was built, the friend would naturally require, in return for his loan, the extra income accruing from the letting out of the



garage. And the worker could pay him the whole of this, and still be *exactly as well off as in the two preceding years*. His working hours, that is to say, his income and his consumption, would have been exactly the same throughout the whole transaction as they would have been if no garage had been built at all. In the post-garage-building year he would be able to pay his friend the whole income from the garage, and still receive exactly the same income for the same amount of work as he originally received. It would be absurd, therefore, to say that he was being "exploited" by his friend. His friend has refrained from consuming a part of his income till the end of the year in order to let him consume it; his friend consequently receives the extra income due to this waiting. In the case in which the worker himself waited, he himself received the extra income.

"Waiting," that is to say, or "saving," as it is usually called, is a service as necessary as labour to the creation of anything which takes time to produce, and most of the instruments of production, or capital, are of this kind. Similarly, waiting is necessary to maintain capital in existence; the owner of the garage must refrain from pulling it down and using the remains as firewood. The extra income which capital makes possible cannot be produced without saving. This extra income, or interest, is therefore the payment for saving in the same sense that wages and salaries are the payment for labour. In any economy—outside the Garden of Eden—whether Communist, Socialist, or Capitalist, saving is just as necessary as labour.

It is a mistake, then, to suppose that all other payments than wages and salaries are a "surplus" corresponding to no service performed, and that capital is no more than stored-up labour. Interest is just as much a "cost" as wages, if we mean by a cost a payment that must be made to secure an indispensable service. But how about the payments that remain after wages, salaries, and interest have been paid?

Are they a pure surplus, to which no service corresponds? The rent of land may be regarded for this purpose as a special case of interest on an instrument of production whose produce has to be waited for. But even above and beyond this, there are other services to be remunerated. When savings are being invested, it is always more or less doubtful whether an increased income will result or not. The more doubt there is, the higher return has to be paid on the savings to persuade the saver to incur the risk of loss. This, again, is a service which is inherent in the nature of things; for though an insurance company or a Socialized State can pool risks, and so destroy them as far as any individual is concerned, the real loss to the community due to those ventures which fail must still remain.

In addition to the payments for these services—working, saving, and risk-bearing—is there another category of payment which is pure “surplus” and corresponds to no service? We may surely admit, first of all, that if there is such a payment, it is always open to anyone who has the opportunity, so long as monopoly conditions do not prevail, to earn this payment by setting up a productive unit on his own, or bringing together the other factors of production. No one will be able to earn this payment who does not at least perform this service, and it does not seem unreasonable, therefore, to regard any final “surplus” that remains as a payment for that service. In any case, such a payment is limited by competition and by what the consumer is prepared to pay. The conclusion emerges, therefore, that there are no “surplus” payments to be distinguished from costs, if “costs” mean payments required to remunerate some necessary productive service. The “surplus” or “profits” of pure Marxist theory are a fiction; (though labour may, of course, be exploited in practice if lack of trade union organization places it in an inferior bargaining position).

This is easy enough to see in the case of the small shopkeeper or taxi-owner-driver, whose "profits," *i.e.* margin of receipts over costs, obviously represent his own wage, the interest on his capital, a payment for risk-bearing, and a payment, if such is really distinct from wage or salary, for the "managerial" function of organizing all the other services in one productive unit. The case of the large joint-stock company is more confusing, though in fact the separate kinds of remuneration are in this case more distinct. Managers' salaries are really the wage of highly skilled labour, directors' fees are partly a wage and partly a payment for "managerial" services; rent of land and debenture charges are pure interest; preference dividends are partly pure interest and partly a payment for risk; and ordinary dividends are mostly a risk payment and partly interest. Monopolies and protected industries apart, there are no incomes to which services do not correspond under a system of free enterprise, free prices, and free ownership of property. To suppose that there are such incomes was the second great economic error of Marxism.

§ 4. *Earned and Unearned Incomes.*—All the incomes usually included under the term "profits" are, in fact, payments for services. But this does not in the least prove that those incomes are "earned"; that is to say, that they are commensurate with effort, merit, or sacrifice. It does not even prove that those incomes ought to be paid; still less that they ought to be paid to private persons; still less again that they ought to be paid on the scale now customary. To suppose that these conclusions do follow from the demonstration that "profit" is not a "surplus," is the prime error of apologists for Capitalism.

The fact that incomes correspond to services does not necessarily prove that those incomes ought to be paid. It only proves this *if* those services are indispensable and cannot be secured in any other way. We may

admit, however, first, that all the above services are indispensable, outside the Garden of Eden; and, secondly, that they will not be secured except in return for incomes, outside prisons, monasteries, or Utopian-Communist colonies. But ought any or all of these services to be paid to private persons? Here we had better declare quite plainly that we are introducing (and properly) a moral criterion to supplement an economic one. For it is not only necessary to produce the national income: it is right that only those who expend some effort in producing it should get a share of the reward. Unfortunately, it is impossible to make rewards exactly proportionate to efforts, since the arduousness of a man's services does not necessarily correspond with their value to the community. But we may fairly lay it down that nobody should get anything in return for no effort at all; while among those who do work, variations of income, according to the community's need for the services in question, are at once unavoidable and not unjust.

Judged by this criterion, ought profit incomes to be paid to private persons? All those incomes commonly classed as "earned," i.e. wages and salaries, large and small, almost certainly ought so to be paid. For their recipients work to earn them, and in so far as they vary in size, the variations are roughly (though only roughly, as will presently be argued) proportionate to the community's need for the services involved. Moreover, these services must be performed by private individuals. But the incomes usually (and rightly) classed as "unearned" are in a different category. To these incomes, it is true, an economic service corresponds, but effort and sacrifice, in many cases, do not. The interest or risk payment on savings made out of the recipient's own earned income correspond to some effort, and are perhaps consequently justified. But the payment of interest or rent incomes to private persons who have inherited these incomes has no justification, moral or

economic, whatever. These persons' service of "waiting" is the negative and effortless one of refraining from the consumption of their capital, and this can be performed perfectly well—or better—by the State. Moreover, all the new savings required can be provided under modern conditions by the State or other corporate bodies; no new private savings are economically necessary. And it is the existence of large, inherited, private, property incomes which forces the working section of the community to bear the burden of a comfortable and idle minority. Such incomes are a cause of poverty. They are a scandalous injustice, a gross "exploitation," which nothing but shameless special pleading can defend. No condemnation of them can be too severe, and no practical measures of expropriation too drastic or abrupt.

Is there any justification for the payment on the customary scale of those private incomes which still ought to be paid? The most intelligent apologists for Capitalism have generally argued that under a system of free exchange, free prices, and free competition every commodity and every service will fetch approximately what it is "worth"—that is to say, what the community is willing to give for it. There is some truth in this contention, but not quite so much truth as is often complacently supposed. It is true that in a system of free exchange and free prices every exchange that takes place will be advantageous to both parties; and anyone will (more or less) be able to sell his services wherever the demand for them is greatest. When the demand for a commodity increases, the price will rise, the producers will receive higher incomes, and production will probably be increased. When demand decreases, the opposite will happen. Undoubtedly the automatic price system, if it were allowed to work freely, would tend to establish an equilibrium between demand and supply, and would ensure a greater production and consumption of those things

for which demand was increasing and a lesser production and consumption of those things for which demand was decreasing.

But this is quite a different thing from saying that the free price system will ensure the maximum possible satisfaction of all wants at the lowest possible cost. This it will certainly not do. In every case of free exchange, the gain of each party to the exchange is greater than the loss; but the gain or loss of one party is never compared at all with the gain or loss of the other. Suppose a poor man sells an overcoat for sixpence to a rich man, because he must buy a loaf of bread or starve. The poor man's need for a loaf of bread is greater than his need for an overcoat; and the rich man's need for an overcoat is greater than his need for sixpence. But the rich man's need for sixpence or an overcoat is *not* as great as the poor man's need for an overcoat or a loaf of bread. If the exchange had not occurred, therefore, but the sixpence had been taken from the rich man and given to the poor man, a greater increase in total welfare would have resulted.\*

§ 5 *The Price System*.—This is the fundamental flaw at the root of the whole structure of prices, wages, salaries, rent, interest, and profits, which results from free exchange. The entire structure is based on price as the proper criterion of demand; and price, owing to the inequality of incomes and the existence of unearned property claims, is an improper criterion of demand. The rich man's shilling exerts exactly the same pull on the price system as the poor man's shilling; but the need represented by the poor man's shilling is incalculably greater. Even earned incomes need not, therefore, be exactly proportionate to the value of the recipient's services to the community. This has never been denied by the greatest economists; and it is fully admitted by

\* This argument is fully elaborated in Mrs Barbara Wootton's book, *Plan or No Plan*, which is far the best available discussion of the whole subject

the principal exponents of the modern "marginal utility" theory of value. The Scandinavian economist, Knut Wicksell, for instance, wrote as follows in his "Lectures on Political Economy".—

"It is not difficult to imagine that an exchange between a rich man and a poor man may lead to a much greater total utility for both together—and therefore for society as a whole—if it is effected at a suitable price fixed by society, than if everything is left to the haphazard working of free competition."

And Professor Pigou, in his recent book *Economics in Practice*, writes: "In making distribution more even there is a wide field for State planning."

This is the verdict of two great modern economists who cannot be called Socialists.

Owing to the inequality of incomes, as well as other less important factors, there is no theoretical justification for the price and income structure of free competition. But it must not therefore be assumed that any departure from the automatic price system is necessarily beneficial. In general, this is certainly not so. If there are two persons of roughly equal incomes, and their relative demands for, say, apples or oranges are to be taken into account in determining supply, the free price system is for practical purposes easily the best way of doing so. For though the price system is not a theoretically perfect way of comparing demands, it is generally the best practical way; since no theoretical criterion is applicable. The only *economic* exception to this is the case of unequal incomes. Where inequality exists, any transfer of income from rich to poor, if practical, may reasonably be assumed to be beneficial. This should be the ultimate criterion of all "economic planning." To take away £500 that a rich man would have spent on a car, and to use it in giving a poor man a decent house instead of a slum, is to increase the welfare of the community. Such a transfer, if practical, is as fully justifiable by the

principles of economics as it is by the promptings of common humanity and common sense

§ 6 *Wages and Purchasing Power*—The injustice of the uncontrolled price system and of unearned incomes is the economic strength at the root of Marxist doctrine. The workers *are* exploited, though not for the reasons given by Marxism. Unfortunately, however, not content with pointing out the existence of exploitation, Marxists have gone on to argue that this exploitation is the cause of trade depression and unemployment, and that it must ultimately lead to the collapse and dissolution of Capitalism. This is an argument which simply will not bear examination; and it is best that Socialists should honestly admit it. Under Capitalism, Marxists contend, the business man is compelled to keep down his costs, which include wages, in order to increase "profits," *i.e.* dividends. This holding down of wages, so it is argued, reduces the available purchasing power in the community, and the goods produced consequently cannot be sold at a price that covers costs and profits. Depression, unemployment, further wage cuts and "increasing misery" are the result.

This is an untenable analysis. The available consumers' incomes in the community consist not of wages and salaries alone, but of wages, salaries, rent, interest, and "profits." All "costs" are ultimately consumers' incomes. It is a fact that the total of rent, interest, and profits in this country is almost as great as the total of wages. This not only shows how unjust the distribution is, it also shows that the system could never have begun to work at all if it were true that wages represented the whole of consumers' purchasing power and total consumers' expenditure had to cover all costs of production. Actually, if all incomes—wages, salaries, rent, interest, and profits—are spent or invested, as they normally are, there will be no tendency towards depression. It is possible, of course, that at times some money may be hoarded, and it is probable that there



will be some reduction in the total of money spent and invested if there is a large and rapid swing-over from wages to profits, since profits are spent after a longer time lag than wages. If either of these things happens, general depression and unemployment may result. And there is at least a possibility that the latter may happen as the result of the normal development of Capitalism.

An increase in the productivity of real capital—plant and machinery—may in certain circumstances lead to an increase in the total share of the capitalists in the national income in proportion to the total share of the workers; and this may lengthen the period between the earning and spending of money, and so cause general depression. But these are all tendencies which *may* emerge; they may almost as easily be reversed. There is no inevitable tendency for a permanent lack of purchasing power to make itself felt in this way. Indeed, as has been pointed out again and again, the worker's real income has in fact risen under Capitalism. And this has not happened as a result of social services and Trade Union pressure alone. If it had, there would have been a mere redistribution of income; in fact, there has been an increase in the total.

The most glaring example of this fallacious argument about purchasing power appears in the orthodox Marxist view of "economic imperialism" and war. Owing to the lack of purchasing power in the home market, it is maintained, the industrialized countries are compelled to export, and this leads to competitive imperialism and so to war. Now, it may or may not be true that industrial exports are the cause of war, but it is emphatically not true that a lack of domestic purchasing power is the cause of industrial exports. The fallacy is a simple arithmetical one. If any country has an export surplus, it must lend abroad to exactly the amount of that surplus. Consumers' income, at home, that is to say, must be diminished by the same

amount as the value of the goods exported; so that the ratio of consumers' incomes to goods for sale cannot possibly be altered by any volume of exports. Marxists may, of course, attribute war to international trade if they like; but to base the argument on an alleged deficiency of domestic purchasing power is arithmetically fallacious.

§ 7 *The Marxist Analysis of Crisis*—Mr John Strachey has recently produced a new and subtler version (which he assures us to be the only truly Marxist interpretation) of the thesis that Capitalism is inevitably doomed to collapse. His central argument is as follows. There is a certain amount of "surplus value" which appears in the production process and is proportionate to the total amount spent on wages in the relevant period. The ratio of this amount of "surplus value" to the total of all nominal capital is the rate of profit. As the proportion of machinery to labour increases, therefore, as a result of technical progress, the ratio of surplus value to total capital must decrease. That is to say, the rate of profit must decrease; so that the only way in which the capitalists can keep the total amount of profit from decreasing is to increase the total of nominal capital. They must therefore save and invest at an ever-increasing rate. But this, after a certain point, is impossible; and so there must in the end be a collapse.

Now, there are many dubious assumptions in this argument. But if we grant Mr Strachey all these, there remains a crucial logical flaw. As the proportion of machinery to labour increases, Mr. Strachey tells us, the rate of profit falls, and so the total of capital must be increased in order to maintain the amount of profit. But the increase in machinery itself implies an increase in total capital, and an increase exactly sufficient to offset the fall in the rate of profit; for it was nothing but the increase which made the rate fall. £1,000,000 is a fifth of a total of £5,000,000, it is true; and if the total is increased to £6,000,000, the £1,000,000 is only

a sixth of it. But £1,000,000 is a £1,000,000 for all that! There is no reason whatever, even on Mr. Strachey's assumptions, why an expansion of machinery should reduce the absolute amount of "surplus value." Nor can he evade this difficulty by saying that technical progress necessitates not merely a maintenance in the amount of profit but an increase of it. For technical progress can come as easily through competition between entrepreneurs for a given amount of profit as by an actual increase in the total.

The economic strength of Marxism consists in its emphasis on the injustice of unequal and unearned incomes; its weakness consists in its faulty analysis of value and profits, and in its assertion that Capitalism is inevitably doomed for some fundamental economic reason. There is no such reason. If the capitalist countries could agree on more sensible monetary and fiscal policies, there is no economic reason why Capitalism should not go on indefinitely, as under Fascism it well may, perpetuating and multiplying its injustices and cruelties. Capitalism will be ended only when those who suffer from these cruelties realize that they are unnecessary, and consequently set out to remove them. And if, when Capitalism is ended, something better and not worse is to succeed it, those at least who direct the change must be guided, not by fanaticism and pseudo-metaphysical jargon, but by a clear, balanced, and rational understanding of the economic forces that confront them. Otherwise injustice will merely be followed by chaos.

## VIII

### THE POLITICAL PROBLEM OF TRANSITION

By ALLAN YOUNG

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## VIII

### THE POLITICAL PROBLEM OF TRANSITION

ALTHOUGH the subjects in a book of this kind are divided off in separate articles by different authors, it should be borne in mind by the reader that no such division exists in actual fact. The articles really deal with different aspects of a single subject. And the conclusions reached upon any one article must be reconciled, or made reconcilable, through acceptance and rejection by the reader, with the conclusions upon all the other articles. You cannot have a Liberal attitude towards Fascism, a Socialist attitude in Economics, and a Tory attitude on foreign policy. The social philosophy you adopt must provide you with mutually consistent opinions upon every aspect of social affairs. This may appear to be so obvious as not to require saying. I hope it is. Nevertheless, I have met a surprising number of people who go through life with opinions on these subjects that are mutually contradictory, and who never discover what might be called "the oneness of things." At the risk, therefore, of merely stating a truism, I want to warn at least the younger reader that everything in human and social life is related to and affected by every other thing. Even our thinking is socially conditioned.

§ 1. *The Structure of Society*.—The next simple introductory remark I want to make is with regard to the society we are studying. Society must not be regarded as a co-operative organization of free citizens, all disinterestedly anxious to discover the best method of

regulating economic and social life in such a way as to secure the greatest welfare of the whole. If that were true, we would surely be able to agree upon a method of running society at least as efficiently as we run railway services, hospitals or even asylums. There is no insurmountable technical difficulty, if there existed the social will to act.

But society as at present constituted is not a bit like that. On the contrary, underneath the smooth surface of what we call "law and order" there is going on all the time a most disorderly and ruthless struggle between individuals, groups, interests, classes. The struggle arises from the fact that, like the beasts of the jungle, every man must "kill his own meat." Those who have no possessions must fight in the competitive scramble for what they can earn. Those who have possessions must struggle to defend them and to retain their position in society. The only people who can escape from this medley of strife are the lucky few who have incomes derived from safe, fixed-interest-bearing investments, and who are wisely content with the rate of interest such investments can earn. But even they would not be able to preserve their aloofness if the property system from which their security is derived were ever in danger.

The overwhelming majority of the people of this country, however—wage-earners, salaried workers, professional and managerial workers, owners of small business and large business, all grades and conditions of men and women—are embroiled in this struggle. The motive force may vary as between one class and another. Some are competing for the bare necessities of life; others to maintain a standard of comfort which the poor might regard as luxury; and others to accumulate wealth in order to gain security for themselves and for their dependants.

The correctness of this objective view of society is not impaired, for the purposes of this study, even when account is taken of the great progress that has been made

in the provision of social services by which the hardships of the struggle are mitigated. The social conscience has been sufficiently awakened, and social intelligence and inventiveness have been sufficiently advanced, to make us provide humane and protective measures such as the Factory Acts, Compensation Acts, Insurance Acts, and the various social services. By these measures we restrain the more ruthless elements in the conflict and salvage the social derelicts. But the struggle nevertheless remains. This is not a jaundiced, one-sided view of society. It is a plain statement of fact. And it is made in order to ensure that before we begin to discuss the political opinions and aspirations of individuals and groups in society, we shall form a correct mental picture of the circumstances and conditions in which the ideas are formed.

§ 2. *The Class Struggle*—We shall assume it to be agreed, then, that society is not a free association of disinterested social thinkers, that it is a conglomeration of conflicting elements largely obsessed with the task of earning a living, or striving for wealth and economic security. We come then to the next stage of the analysis. Although there is a wide and almost infinite variety of conflicting interests in society, they can be sorted out into two main categories. From the point of view of economic interest, the important distinction, overriding all the others, is between those who own accumulated wealth and those who do not. The possessing class own the tools of production, and this ownership enables them to employ labour rather than having themselves to seek employment from others. Those who do not own the tools of production must sell their labour to an employer in order to live.

The owners of wealth and of the machinery of production can utilize it for the production of more wealth only by the employment of labour. The wages or salaries paid for labour must be less than the actual value of the wealth produced, otherwise there would be no profit



to the capitalist by employing it. The greater the disparity between what the worker gets in wages and what he produces by his labour, the greater will be the profit obtained by his employer—all else being equal. Thus there is a conflict of economic interest between the worker and his employer. The worker wants the full product of his labour, if he can get it; the employer wants the most profitable return on his capital. As the great majority of people are in one or other of these positions, Socialists lay emphasis upon this economic class division in society as the most important characteristic of its structure. The actions which arise from this division of economic interests are called by the ugly name "class struggle"; a phrase that offends the ears of those who have never taken the trouble to understand what it is used to describe.

My excuse for this elementary dissertation is, incredible as it may seem, that I have found quite a number of otherwise intelligent people who had not even grasped that the phrase "class struggle" is used in relation to economic classes. I have endeavoured to explain that my economic position in society is not determined by whether I speak with an Oxford accent or eat peas with a knife.\* It is determined by whether I possess wealth that will enable me to own the necessary tools of production and employ labour, or whether I am a propertyless man forced to sell my labour for wages or a salary. Whatever we may be proposing to *do* about it, we must not ignore such an obvious fact. There are many other ways in which people can be classified, but it is their economic classification that is important in the discussion of political and economic affairs.

To recognize and proclaim this obvious conflict is not to assert that men will never respond to any urge other than economic self-interest. But it might truthfully be said,

\* It is true, of course, that my chances of success may be quite considerably affected according to which of these social accomplishments I flaunt in the face of a prospective employer.

on the other hand, that those who choose to ignore the fact that the primary urge of every living organism is to feed itself, and that this conflict of interests in society is real, cripple themselves as social thinkers from the outset. Reality may be ugly and unpleasant to highly cultured and fastidious philosophers, but if they ignore the basic facts of social life, they cannot expect to have any but an obstructive or involuntary influence upon the course of social history.

§ 3 *The Dynamics of Social Change* —This introduction has probably conveyed no more than a static or still-life picture of the economic stratification of society. The real difficulties arise when we try to see society in motion, for here we enter a much more complicated and doubtful field of study. Just as there are some people who profess to see society as an organization of free individuals disinterestedly seeking the greatest social welfare, so there are people—usually the same people—who believe that changes take place in society purely as a result of the growth of intelligence and the leadership of great men. Now, no one would deny that great men have an influence upon the thought of their time, and that the development of human understanding is a necessary part of social change. But to accept this as the only factor ruling the course of development, without asking why intelligence develops along certain lines and not others, or why any particular great men of any particular period should have become dominant and powerful just at the right moment, provides an inadequate explanation of social history.

We must see the men and the ideas of a period in relation to all the economic and social circumstances with which they are surrounded. It then becomes clear that, however great and intelligent certain individuals or groups of men may be, their rise to power and the victory of their new ideology are determined by whether or not they fit in with the economic and social needs of their time.

The landed aristocracy lost power and were superseded by the merchants and industrialists not because they were less intelligent or less great, but because the changing methods of producing and distributing wealth had created a new rich and powerful class. The economic needs of a developing society required that political power should pass into the hands of those whose ideas and social philosophy were in harmony with those needs. Science, invention, organizing skill and an expanding market, were offering to an increasing number of men new opportunities of achieving riches. As a result of this advance in knowledge and technique, the new system was already developing in the womb of the old. The new class, exploiting these processes, increased in size and in power. The old ruling class stood in the way of the new developments. They stood in defence of the old economic social and political system and the old legal forms within which the new developments were being frustrated and imprisoned. They stood as barriers in the way of profitable enterprise and expanding opportunities. They, who had once been regarded, no doubt, as wise and progressive men, were now condemned as reactionaries, and their political ideology as obsolete.

The ideas of the period changed as the basic material conditions and opportunities were revolutionized. New men came into prominence as leaders of the new ideology, and, as a result of the political ferment arising from the economic needs and changes of the time, won power and influence from their opponents of the old school of thought. It may be true that some of these leaders were great men, but *their* rise to power, as distinct from other men who in different circumstances would have been regarded as equally great, was determined not only by their greatness, but also by the fact that the ideas and policy for which they stood fitted in with the economic needs that waited to be served. This process is not merely something that *happens* in the peak periods

of history. It goes on all the time. The speed at which it takes place in any given period is determined by the pressures—the necessities of the time. It arises out of the basic struggle of men to enrich themselves. The intensity of the need for change is determined by the rapidity with which the methods of production develop, the character of demand changes, or the opportunities of the market expand. In the past, relief from the tensions of this kind has sometimes been found in war and the seizure of new territories to develop. But as the possibilities of the market become exhausted, escape from the tension becomes more difficult.

When we turn our attention to present-day society, we find that the years of continuous change in the methods of industrial production have brought us to a new crisis in the economic system. Science and improved technique have increased tremendously the output of labour. The world has become congested with a plethora of plant and equipment. The market has ceased to expand at a rate equal to the greater output of the greater number of more efficient machines. The competitive profit-making system is unable to utilize this increased power of production to raise the standard of life and allow the people to consume what they can produce. Under the pressure of this contradiction, between what is and what might be, a new conception of society has grown up in men's minds. The important political problem of the day is not whether, but how, to achieve the transition to a new system of social ownership and collective effort that will release the flow of wealth from the obstruction of the profit-making incentive.

The Socialist holds that, in this as in all other periods, the progressive urge towards social development and change can come only from that section of society which is imprisoned and enslaved by the old order. The theory of the new society is conceived in the revolutionary strata of the old. The new movement derives

its energy from the needs of the class that is seeking to be liberated from the shackles of the old. For that reason, the Socialist Movement, which is the political expression of this new conception of society, bases itself upon the working class. This movement will, indeed it must, continue to enlist the support of people belonging to other classes, but they can only be Socialist inasmuch as they identify themselves completely and unequivocally with the working-class demand for economic freedom and social equality. The stage is set for the decisive phase of this new period. That is why so much attention is being devoted to the political tactics that ought to be pursued by the working-class movement for the fulfilment of its historic task of achieving Socialism.

But, of course, it is no solution of the problem merely to say that the driving force and motive power must come from the working class. That is a mere platitude. The intelligent elements in every section of the Labour Movement, "Left" and "Right," subscribe not only to that view, but also broadly to the structural analysis of society and the conception of the process of social change that has already been outlined in the earlier pages of this article. Yet, starting from the same basis, they reach widely different conclusions:—

(a) as to what will be the reactions of men and classes to the problems of a declining Capitalism as they grow more acute,

(b) as to the value to be placed upon democratic institutions and the power of a parliamentary majority;

(c) as to what counter-revolutionary activities the harder and more reactionary section of the possessing class may be expected to engage in, when a Socialist majority is secured or even threatened, and therefore

(d) what plan of action, what strategy and tactics, ought to be followed by the working-class movement

in seeking to achieve its purpose—which is Socialism.

*What to Do ?*—On the basis of these speculations about future events, the different sections of the Labour Movement have devised different conceptions of the policy, strategy and tactics which the movement ought to adopt now. They lay down different theories as to how the transition from Capitalism to Socialism is to be effected.

The Communists say, “No ruling class ever voluntarily relinquishes its power.” The workers must therefore be made class conscious and militant; they must be led into active struggle—strikes, demonstrations, clashes with the police—not merely to secure immediate gains, but to “harden” them for the final conflict of civil war. To win the workers away from allegiance to their “reformist leaders,” those leaders must be “exposed.” The leaders are therefore described as “traitors,” “labour fakirs,” “social fascists” (and a wealth of other epithets) on the slightest provocation. The Communist points to the success of revolutionary tactics in Russia, and the failure (due to the treachery of leaders again) of Social Democracy in Italy, Austria, Germany and elsewhere.

The official Labour Movement says: “This is a democratic country. In theory Parliament is supreme. Capitalism has already been replaced by municipal enterprise or by State or semi-State ownership, direction, or control over a large part of our economic and social life. This process can be carried on more rapidly as the pressure of enlightened opinion in the country is mobilized to demand it. It can be accelerated by a Socialist Government in power. The rate at which the transition to Socialism can take place will be determined by the rate at which a sufficiently powerful majority of the people can be persuaded to give their active support to a Government pledged to carry it through.”

On the fringe of the Labour Party there is the very forceful minority group which sees much truth in the Communist's reasoning while adhering to the desire for, if not to absolute belief in, "constitutional" procedure. They seem to advocate a sort of "Constitutional Revolution"—a revolutionary gradualism. They would, as it were, bow to the Speaker's Chair while they were cutting the Speaker's throat, and knock respectfully on the door of the House of Lords while they prepared the lethal chamber into which the Lords would presently be invited to enter. The Socialist League, as I understand it, would try to exploit to the full the constitutional powers of a democratically elected Socialist Government and, in the phrase of the late Frank Wise, "so scramble the eggs that they could never be put back in their shells again."

There, are, of course, countless other "designs" and patterns of policy advanced by other sections of the movement both inside and outside the Labour Party, sufficiently "different" from those I have outlined to justify in the minds of their members the maintenance of separate, and usually hostile, organizations. The new convert to Socialism certainly cannot complain of any lack of variety of organizations. On the contrary, he may easily be bewildered by the number of different routes to the promised land that appear to be open to him. And it is to the new convert, or the mass of non-partisan socialist workers in the country, that I must now address myself. The intellectual "storm troops" of both the "Left" and the "Right" have stopped thinking on this subject. They know all about it already. They seem to hate each other more than they hate Capitalism. They become alert to stamp out heresy whenever a new idea impinges on their minds.

In this ferocious controversy people like myself are tremendously handicapped. Like the great mass of the rank-and-file supporters, I am not so certain about anything as these rival protagonists are each of the

correctness of his own formula. Moreover, I confess that I am influenced by a strong desire to avoid being shot, either on a Communist barricade in a premature revolution, or in a fascist prison as a result of a too-long-delayed resistance by a feeble leadership. It may be that, in Trotsky's phrase, people with the "weakness" of these hopes and fears have "chosen the wrong time to be born." But I belong to a generation that learned to dislike being shot at in the impressionable period of their youth, and I suspect that this rather vulgar desire to live is probably shared by my apparently less ignoble comrades who would not be so ready to admit it.

Before trying to express my own views on this difficult subject, I want to renounce some of the props upon which a plausible argument could easily be founded—for I have no axe to grind. In the first place, a decision on this subject cannot be based on choice. No one desires civil war—unless he is inconceivably stupid and unimaginative. Revolutionaries prepare for civil war, not from choice, but from what they believe to be necessity. By preparing for it they of course contribute towards the creation of a situation that would make civil war inevitable.

In the second place, I do not believe a decision on this subject can rest on abstract principles of morality. Once we discard the ethical principles of Christianity in relation to our social life, the morality or immorality of political actions can only be determined by reference to the circumstances in which they are committed. And of course Christian principles of conduct have long since been discarded in the social and political life of communities. The Christian philosophy of life—like many other philosophies—is based upon tolerance, mercy, kindness and love. The State apparatus for the preservation of order is based upon force, punishment, censure and justice. The two systems are quite incompatible. The gentle code of tolerance and kindness is what wise men seek to achieve in their personal lives



The harsh dispensation of justice is what they are forced to do by social necessity. Out of this antithesis between philosophic truth and social expediency there arises an intellectual and spiritual urge towards social regeneration. But so long as the contradiction exists the preservation of social peace cannot be held to be wise because it is moral—for existing society is not founded upon morality. It can only be justified, like war and civil war, on grounds of expediency. There are times and circumstances when it would be most immoral not to fight and kill for political principles, there are times and circumstances when it is merely stupid to do so. The only true social morality is, to my mind, served not by merely proclaiming one's desire for social peace, but by striving so to shape events that violence will not be necessary.

If then our decisions cannot be based upon *choice* of a route—because the power to choose does not rest with us alone—or upon abstract principles of morality—because evil cannot be overcome by subservience to it—what guidance is there that will safeguard us against error, betrayal, or attack? I submit that there is no simple, all-sufficing, code to meet our needs. In each new situation we must be wise in our understanding of the meaning of events, loyal to the objectives we seek to achieve, and intelligent enough to adopt the correct tactics in accordance with all the circumstances of the time. This imposes upon us the burden of continuous thinking. It would be more pleasant if some simple formula could be worked out to relieve us of this necessity. But I do not believe that such great historical tasks can be accomplished so simply.

It is urgently necessary to look ahead, to try to anticipate future difficulties and make the necessary preparations to meet them. But even if the most gloomy view of the future is accepted, what kind of preparation can we make? We can prepare the minds and build up an organized power of the working class to combat

resistance to the policy of a Socialist majority. But it would be a mistake to maximize that resistance by a policy calculated to evoke it on the widest possible front. We must minimize it by seeking to absorb rather than repel those who are moving towards an acceptance of our views. This will be condemned as revealing a willingness to compromise. I am quite willing to accept all the odium of the term. I am willing to compromise. If we are unable to carry out at once the full policy of social transformation we can either resort to insurrection, or compromise with the progressive elements outside the Labour movement to get as much as possible. If our strength was so great as to make compromise unnecessary the question does not arise. If our movement were weak—relative to the powers of sabotage and counter revolution of our opponents—then to embark upon a policy of insurrection would be bad leadership and betrayal as reprehensible as weakness and incapacity.

What other course would the stern, inflexible, uncompromising Socialist suggest? Would he have us provide Fascism with the opportunity it desires? Would he lead us unready and unprepared into a conflict that could have only one issue—our defeat? This uncompromising attitude is correct in the realm of ideas and as applied to objectives. In the practical affairs of politics or of war (whatever terms you choose to think in) it is merely self-delusion. The only justification for any gamble is the prospect of success. And if it is the lives and liberty of masses of human beings that are at stake then caution and discretion should take the place of any gambler's enthusiasm. To-day it is, in my opinion, far more important to defeat Fascism than to discover short cuts to Socialism. The theorist or the fanatic may comfort himself with the fact that the former Social-Democrats of Austria, Spain and Germany are now becoming revolutionaries. I hope they are. I cannot see what else they could do. But, whatever

they may become, they have Fascism saddled upon their backs for an indefinite period, and able to maintain itself in power with all the force of modern armaments. I am keen to make Socialists—but not that way.

In the problems now confronting the Labour Movement of this country there is none more important and urgent than to mobilize all progressive opinion on its side in a wide united front against the intellectual, moral, political and cultural darkness of Fascism. The narrow, uncompromising sectarians in our ranks may deny that there is any virtue other than full-blooded socialist virtue. My philosophy is less "pure." I would welcome any assistance to preserve the liberties we already have and build, however slowly, upon that basis, rather than lose everything by a stiff-necked puritanism.

It is possible, of course, that events will shape themselves in an entirely different way from that which has been implied above. The clash of interest between capitalist countries or the imperialist designs of capitalist countries upon the U S S R. may plunge the world into war. The whole fabric of civilization may be tottering in a world cataclysm of far greater magnitude than the last War. The choice of the Labour Movement in this and in other countries might conceivably be between war and rebellion. But here again I do not see how we are to lay down for ourselves in advance a clear and unequivocal course of action—or even inaction. As Pacifists we could quite clearly be uncompromising opponents of all wars. However, we are not Pacifists, but Socialists—and again the two things do not mix. (I am, of course, attaching my own meaning to the terms. I regard them as terms applying to *what we do*, not merely to what we believe—it is the *practice* of a philosophy, not merely the prating of it, that entitles men to apply its name to themselves or have it applied to them by others.) The practice of Pacifism is personal non-resistance. The practice of Socialism is

active participation in the effort to achieve it by the use of whatever methods are suitable to the time.

The only logical political philosophy for a Pacifist is Christian anarchy, to be achieved by the individual practice of "non-resistance to evil." He need never be in doubt what to do. But is the Socialist's position so simple? Can we pledge ourselves to resistance to all wars by strikes and mass opposition to recruitment? Is that to be our attitude if Russia is attacked? While we are preaching the building up of a system of pooled security under the auspices of a League of Nations with power to enforce sanctions, can we announce in advance that the British working-class movement will refuse to honour its commitments? Of course not. These high-sounding resolutions attempting to pledge our leadership to call for organized resistance to any and every war do not arise from a realist approach to the problem. They serve merely to provide their authors with the illusion of virtue—a Christian virtue which is incompatible with either a defence of Capitalism or any revolutionary attempts to overthrow it. There are, however, certain things that the Socialist can be clear about. If Russia were attacked and Britain offered either active or passive assistance to that attack, then it would be a Socialist duty to practise every crime in the Capitalist calendar—from insurrection to treason—in defence of the socialist fatherland. If Britain proposed to go to war as an aggressor in an imperialist war of expansion, then the strike and mass-resistance methods of opposition should be applied. But, of course, this is exactly the kind of war that is not likely to occur. The period of imperialist expansion by the sword is over for us. British Capitalism has itself embarked tentatively on the course towards a collective peace system. We may dislike the company we are in and distrust the motives of our travelling companions, but we cannot renounce our own policy because we dislike the mental equipment or the personal appearance of our latest

converts I come to the conclusion, then, that even in regard to this most vital question of War and Peace, it is impossible to lay down rigid rules in advance. The action we should take must be determined by the circumstances of the time. And this makes it all the more vitally important, if we are not to be at the mercy of one or two leaders in a crisis, that a much higher level of political intelligence should be generated in the rank and file of the movement and a much more efficient structure of democratic organization created, so that this more intelligent opinion can make itself felt with greater rapidity when executive decisions have to be taken.

The lesson which seems to me to arise from the experience of the workers here and in other countries is the need for *unity*. The greatest danger to the working-class movement is the process of "fragmentation" that is now going on. Whatever the future may hold in store for us, our power to face it will be determined by the strength and political consciousness of the organized movement. The only contribution we can make here and now to the solution of the problems of this kind that will arise in the future, is to build up a united movement so organized as to throw up a leadership representative of its mood and temper at any time. We must find means of ensuring that the leadership is trustworthy, and then be prepared to lend to that leadership our loyalty and support even while we retain the fullest right to criticize and attack it within the private councils of the Party.

My answer therefore to the Communist case is not that it is morally wrong or intellectually mistaken; it is that even if they are right the only hope of success is the strength, intelligence and determination of the organized working-class movement. My answer to the Socialist League or other semi-revolutionary bodies is not that the process of transition to Socialism either should be, or must be, slow. It is that the rate of change can never

be greater than the strength of the forces demanding the change

I do not know, nor does anyone else, what will be the circumstances of to-morrow. I do not propose therefore to lay down a rigid programme of action that must be followed, and any deviation from which by the leaders will be regarded as treachery. The only reasonable explanation of trying to tie up our leaders in advance in this way is that we already suspect them of latent weakness or treachery. If that is really what we fear, then we should name the leaders and reject them, and set about the task of creating an organization which will be less at the mercy of a few men in a critical situation. But there must be some body with the responsibility of taking decisions and acting upon them. And the members of this body must not be terrorized by threats or weakened by uncertainty. They will be asked to guide us through a more difficult transition than anything in the pages of history. They must be strengthened by the confidence and trust of an intelligent, well-organized movement and granted the loyalty even of those who, in the inner councils of the Party, differ from them and express their differences.

But does all this merely mean that we should settle down and become docile members of the Labour Party as at present constituted? I hope not. The whole purpose of my comments has been to point out that the fate of the working class, the success or failure of our efforts to carry out the function of the Socialist Movement, will be determined by the strength, intelligence and flexibility of the organization from which our power is derived. I by no means regard the Labour Party as perfect. Moreover, I know it to be colossally ill-informed. All Socialists agree, however, that a mass movement of the workers is essential to success. Well! there cannot be a dozen mass movements. If there are more than one, and they are hostile to one another, the result is not strength, but weakness. All attempts to build up

mass movements outside the Labour Party, the Trade Unions and the Co-operative movement—which are three in one—have conspicuously failed. The Trade Unions are the natural organizations of the working class, and the Labour Party is the creation of the Trade Unions. We may dislike its leaders and be dissatisfied with its policy, but both the leadership and the policy are there because the only representative organs of the working class that exist put them there. I know it is often said that the workers are far more Left than their leaders. That is not my experience. Half of them are not yet politically conscious enough to be members of their Trade Unions; millions of them troop to the polls at every election to vote Conservative. The organizers of the Labour Party have the greatest difficulty to persuade a sufficient number of them to sacrifice a few hours of their time every month to build up an efficient electoral machine. These impressions of a surging revolutionary working class being kept in check by its leaders are usually gained by eloquent speakers who seldom see the working class except when small sections of it turn up at their meetings. There is no set of leaders yet born that could keep the working class in check if even a powerful minority were class-conscious revolutionary Socialists, and few leaders would be stupid enough to try.

The personnel of the Trades Unions and the Labour Party, however, and the less politically conscious workers outside is the material we have to work with. It is useless to talk of building up united-front movements outside these great organizations of the working class. The place for the united front is inside them, and those who believe in the necessity for this unity must be prepared to put up with the discomfort of accepting majority decisions in order to achieve it.

But the most important step towards this unity must be taken by the Labour Party itself. Its leaders should see its function more clearly as a *federal* organization of

the working class. Those who hold extreme views on policy and tactics should not be frowned upon, suppressed, or, as in some cases, even driven outside the organization altogether. Unless it can be made evident that any opinion may be voiced and that ample opportunity is being provided for the discussion of conflicting views within the Party, then the natural consequences is that hostile organizations will be formed outside. The leaders of a great mass movement of this kind ought to be big enough, patient enough, and intelligent enough to recognize that unanimity is possible only in a docile mob. The energy, enthusiasm, loyalty and confidence of a dynamic movement cannot live under the fetters of a narrow-minded restraint. The basic creed of the Party is Democracy. It would have been a stronger and better party to-day if as much attention had been given to the efficient functioning of Democracy within the Party as has been given to outwitting and suppressing the minorities who have been driven out of it in the past.

The best defence of the Labour Party against all those critics who still agree with its fundamental aims and objects is to make it wide enough and tolerant enough to embrace all the conflicting views of the component parts of the working-class movement, provided only that the people concerned are willing to accept majority decisions on the subjects under dispute.

There are organizational changes that I believe are long overdue. I think the whole structure of the organization needs to be revised. I believe the method of selecting candidates is wrong, and that a certain degree of corruption is made possible as a result. I believe the method of financing candidatures, propaganda and organizing work is wasteful and inefficient. Too little effort seems to me to be expended in the teaching of economics and the raising of the political consciousness of the Party to a higher level. There is a tendency to believe that all we want from the workers is their votes. Nothing could be more mistaken.



A movement equal to the task facing this movement will require a strong iron core of conscious, well-informed Socialists—and a knowledge of economics is an indispensable preliminary to be worthy of that title. An increasing proportion of Party members must be raised to this higher intellectual level before we can face with confidence the trials and difficulties that lie ahead. They must be loyal supporters of the Party not because they have never heard or understood the arguments of its critics, but because they *do* understand all the arguments for and against any line of action proposed, and because the structure of the organization enables them to have confidence in the Executive.

We need to guard against error, betrayal or attack. We cannot do so by passing resolutions. We can only do so by creating a Party that is intelligent enough to compromise (as every Political Party must) without sacrificing its objective, and powerful enough to move forward with confidence when the opportunity occurs. The cynics may say I am asking for the impossible. It may be so. But if we cannot build such a movement by the adaptation of existing working-class organizations, then there is even less prospect of doing so by the process of "fragmentation" now going on because of our intellectual intolerance. And if we cannot build such a movement, then the early achievement of Socialism is impossible.

## IX

### THE IMPORTANCE OF PLANNING

By E. F. M. DURBIN

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## IX

### THE IMPORTANCE OF PLANNING

§ 1. "WE are all Socialists now," said Sir William Harcourt in 1894. We are certainly not all Socialists in post-War Europe. The last few years have seen a wholesale destruction of Socialist Parties on the continent and the election of an overwhelming anti-Socialist majority to the English House of Commons.

But it would be almost true to say that "we are all *Planners* now." The collapse of the popular faith in *laissez-faire* has proceeded with spectacular rapidity in this country and all over the world since the War. There now exists a completely planned economy in Russia, a bold and far-reaching attempt at general planning in America, an extension of the economic power of authoritarian governments in Italy and Germany, and the rudiments of financial and agricultural planning in England. Indeed, in this country planning has become one of the many subjects that scarcely enters into party controversy. The Labour Party proposes to socialize, and thereafter to plan a large sector of industry by the creation of ten or twelve public corporations. It is unquestionably a planning Party. But it was the Conservative Party which passed the Electrical Supply Act of 1928, placed the London Passenger Transport Bill on the Statute Book, set up the Exchange Equalization Fund, has cartelized sections of the agricultural industry, is making some attempt to re-organize and unify the iron and steel industry, is subsidizing shipping and proposes to begin the first stages of geographical

planning All these measures involve in greater or less degree the social control of industry. There is therefore an important agreement between the largest parties in the State on the supersession of private enterprise in the guidance of economic affairs

There is, however, no such general agreement about the ends which the growing power of the Central Government shall be made to serve. The Conservative Party is not hypocritical in its opposition to the Labour Party, since it is radically opposed to the reform of society which the Labour Party intends. It is *Socialism*, and not economic planning that is in dispute. These two things are often confused, but they are in fact quite different, and it is of the greatest importance to understand their true relations. In particular it is necessary in this article to consider the importance of planning both to Socialists and to anti-Socialists.

Before this can be done we must define the meaning of economic planning with some precision. The term is used in current speech to describe widely different types of economic reform. It is applied indiscriminately to large-scale and fundamental changes in economic institutions, such as those carried through in the Russian economy, and to the comparatively small alterations which the cartelization of the English milk industry involves. It is necessary to distinguish between:

1. Planning, meaning simply the *intervention of the Government in a particular industry* at a time when the greater part of the economy still remains in private hands, and
2. Planning which results in the *general supersession of individual enterprise* as the source of economic decisions

This distinction is of importance, because the basis of authority and the probable results of the two types of planning are quite different. It is, for example, quite untrue, as certain opponents of Planning always argue, that *general* planning will be no more than the sum of a large number of interferences with a private enterprise economy. It would be just as sensible to argue

that civilization is nothing more than the destruction of primitive culture. The substitution of one set of institutions for another, whether better or worse, is quite different from the arbitrary frustration of existing arrangements. Thus, while it is easy for certain economists to prove that planning of the first type will result in nothing more than the interference with adjustments to the real situation which would be made by private enterprise and will lead to the use of the new powers created by unification to restrict output and hold up prices, it does not follow that the same thing will be true when central control is generalized and private interest is replaced over a large field of industrial activity.\* To begin with, in the case of general planning, the source of authority is no longer an industrial corporation, but an *inter-industrial* body. This makes the pull of conflicting interests more apparent and the implication of alternative courses more plain. There is, for example, no evidence that the Russian economy, whatever its other economic shortcomings, has been characterized by any attempt to restrict production. Social interests are necessarily more strongly represented in the machinery of generalized planning than in particular interferences, and it is confusing to call these two types of economic change by the same name.

It is also necessary to be clear about two different uses to which the machinery of centralized control may be put. Planning does not in the least imply the existence of *a* Plan—in the sense of an arbitrary industrial budget which lays down in advance the volume of output for different industries. Planning does not, and should not, imply any dogmatism about the future. It is not possible to tell in detail what will happen to human tastes, to technical invention, to general standards of security and well-being. It would therefore be foolish in the extreme to attempt to lay down plans which could not be amended quickly in the light of

\* Cf. Robbins, *The Great Depression*, Chapter VIII

changing social requirements. There is no power yet known to man whereby he can foretell the movements of human society with the precision and degree of certainty that is exhibited by the physical sciences. There is as yet no economic astronomer, and until this gentleman has made his appearance there can be no reasonable rigidity or permanence in the absolute and relative outputs of the various industrial products.

What, then, is the true characteristic of Planning? If it does not involve the construction of a single plan, and is nevertheless something more than the cartelization of particular industries, what is the correct definition of its essential nature? The element common to all the forms of new control we regard as "Planning" is the extension of the size of the unit of management and the consequent enlargement of the field surveyed when any economic decision is taken. The diagnostic property of an unplanned economy is the requirement that all decisions should be taken by individual supervisors in only a small—indeed, an infinitesimal—area of the industrial world. Under conditions of perfect competition—the pure type of the unplanned economy—the individual producer controls so small a part of the total output of a single commodity that he can exert no influence upon the price of anything that he either buys or sells. His field of vision is restricted to the technical organization of his own factory or workshop, and no individual or corporation possesses any power to control the prices or output of the industry. All forms of planning machinery extend the area of economic life surveyed by the deciding authority and increase the number and importance of the economic quantities that can be controlled by some one.

The extension of control can take place in two stages. There is first the grouping of production units making the same or closely related products into one corporation. This is the case of the cartelization, incorporation

or socialization of a single industry. Electrical production and London passenger transport are English examples of this type. The second and more important extension is that which brings a group of industries and economic activities, and in the limit the whole economic field, under the survey and control of a single authority—termed the Supreme Economic Authority. This would be the result of the present proposals of the English Labour Party, and is the ideal towards which the Roosevelt Administration in America is at present struggling. It is this extension of the area of survey and control which is the definitive thing about all forms of Planning.

§ 2. What is the importance of Planning so defined in the first place to Socialists and in the second place to those who are interested in economic efficiency? Socialists may be described as those who believe it to be of ethical and practical importance to remove inequality between persons and classes in so far as it is based upon the inheritance of property and the institutions created for the service of the rich. To people who hold such views the setting up and subsequently the successful operation of a certain form of Planning is of the first importance.

Now, there is nothing in my definition of Planning to say who is to plan and to what end. It is, however, perfectly clear that social equality cannot be achieved in an unplanned economy. The capitalist system depends for its power of adjustment upon the search for the reward distributed to private property in the means of production and for its power to grow upon the savings derived from large private incomes. It is therefore apparent that any sustained attempt to impair the operations of the profit motive and to destroy inequality in the distribution of wealth, without providing an alternative method of accumulating capital, will lead to a breakdown. The time will come when either the scheme of transferring income must be



stopped or the capitalist system will cease to function. Such a disastrous alternative must at all costs be prevented, and it can only be done by removing the power to make economic decisions from the hands of property-owners. They must be vested in the State or the representatives of the State.

To a Socialist the mere change in the seat of power is not sufficient. It is a means to an end. The end consists in the creation of a society in which men are both free and equal. But, while the institution of some form of Planning is not the object, it is the indispensable preliminary means for the attainment of the new society. It is indispensable for the reasons just stated. It is preliminary because men must live and work during the period of social change—a period which may be long and difficult. To a Socialist, therefore, the setting up of a comprehensive machinery for the control of the means of production is of the most urgent importance.

§ 3 But, as we have seen, it is not only Socialists who are interested in Planning—not only Socialists who believe in it. An increasing number of thinking men and women are coming to the conclusion that centralized control is a better method of organizing production, apart altogether from the kind of social superstructure subsequently created within it. They believe that Planning is an essentially more *efficient* method of organizing economic life.

The matter is, of course, also of the greatest importance for Socialists. If Socialism is to be obtained by democratic methods, it is necessary that, as a system, it should work efficiently from the earliest possible moment—and “work efficiently” in a sense that the ordinary elector can appreciate. Without in the least taking the cynical view that the ordinary elector is indifferent to questions of status and social freedom, it would be flying in the face of plain reality to deny that “the man in the street” judges the economic efficiency of any system by the degree of security in employment

and the level of real wages it brings to him. To him Planning will "work" if it brings about a sustained rise in employment and a noticeable increase in the general standard of living. The first stages of Socialism—by which I mean the first period of five years in which a Labour Government seeks to transfer a large sector of industry to social ownership—will be judged by the extent to which "prosperity" is restored during the lifetime of that Government. Any Socialist, therefore, who wishes to secure for the next Labour Government the second period of office necessary for a further advance to social change, and who does not propose to obtain that extended period by unconstitutional and revolutionary methods, will be deeply concerned with the power of Planning to increase the means of livelihood and consumption.

We must therefore examine the efficiency of Planning as a method of directing economic life.

There are three charges which have been brought against Planning—both by professional economists and by business men. It has been argued that a Planned Economy will be a muddled economy because it will lack the automatic guide to productive activity provided by a pricing system,\* that it will lack the necessary incentives to secure efficient management; and that it will be unable to make adequate provision for the future.† These are serious charges and must be considered.

The first of them—that Planning will lead to chaos because it lacks the automatic guidance of prices—can be advanced in two forms. It may either be said that a Planned Economy *cannot* have a pricing system because the institutions of central control render accurate prices impossible, or that although prices

\* See *Collectivist Economic Planning*, III, Mises "Economic Calculus in the Socialist Commonwealth," and V, Hayek. "The Present State of the Debate"

† Professor Robbins, *The Great Depression*, Chap. VII, §§ 6-8, Chap. IX, § 3

can exist their guidance *will not*, in fact, be followed by a Planning Authority. These two versions of the argument are radically different. The first assumes that there is some logical contradiction between prices and central control, while the second argument must be based upon social and psychological assumptions. It could only be justified by a demonstration that people will necessarily be foolish and pigheaded in a society which has chosen to control its economic life. It is of the greatest interest to notice that the arguments of *laissez-faire* economists have recently shifted their emphasis sharply from the one trend of argument to the other.\* This is so for three reasons.

1. In the first place, Russia, a centrally Planned economy, is plainly operating a price system of a sort. The Communist Party attempted in the first instance to abandon economic calculus altogether, and the result was unspeakably disastrous † The present Russian system including the Five-Year Plan is therefore one which is based fundamentally upon prices. The Plan or industrial budget is a schedule of total prices, industries are rationed in the monetary funds placed at their disposal; costs are calculated; and prices are charged for finished products at every stage. No one is saying that their price system is accurate or that relative prices are made the sole criterion of productive policy. But that a price system can exist side by side

\* It is, for instance, perfectly obvious that this is the case, if *Collectivist Economic Planning* is examined carefully. It will be found that, whereas Professor Mises, in the earlier article "Economic Calculus in the Socialist Commonwealth," simply takes it as axiomatic that a Collectivist economy must dispense with prices, and regards it as his business to prove that it will therefore get into a muddle, Professor Hayek in his later article simply tries to prove that an *accurate* pricing system is out of the question. To do this he has finally to fall back to the second line of argument, that although the Planning Authority could "play" at competition (*sic*), it would never, in fact, dispose its resources in the indicated ways.

† See Dobbs' *Russian Economic Development* War Communism, and Mrs. Wootton's *Plan or No Plan*, Chap. II, § 2.

with the central control of production is demonstrated beyond the possibility of refutation by Russian economic history.

2. And, in the second place, it cannot be denied that any price system, however crude, must result in *some* kind of rational guidance as long as consumers are left free to spend their money as they please and a rough uniformity of costing practice is enforced upon all industries at once. Economists are perfectly right to insist that only the most delicate assessment of the value of economic resources in alternative uses will secure a *perfect* adaptation of production to the needs of society. But the degree of adaptation can vary very greatly, and any Planning Authority which insists upon a uniform assessment of values and costs will be able to make correspondingly wide adjustments to changing tastes and changing conditions. Even in the Russian price system where no payment is made for land or for the differences of individual efficiency within large groups of workers, it is obvious that the Central Authority could detect large divergences between the value produced and the cost incurred in any particular line of production by the tendency for stocks to change or prices to move at any given level of output. And this reasoning applies to every type of product. Crude price systems mean crude adjustment. Delicate price systems mean delicate adjustment. But it is only the absence of any price system which means no adjustment.

3. From these two lines of investigation it must follow that there is no formal or logical contradiction between planning and pricing. It is perfectly possible for a centralized authority to order a price system to appear and to follow the guidance it necessarily gives. *There is no necessary connection between the form of the authority by which decisions are taken and the principles according to which the decisions are made.* It would be just as sensible to argue that the organization of the medical profession

under a National Council which laid down rules of professional conduct made it impossible to practise sound medicine as to affirm that the creation of a governing body for industry made it *impossible* to take wise economic decisions. It all depends upon what the Central Authority chooses to do.

Consequently the emphasis of the attack upon Planning has, in recent years, shifted back to the second charge, that, despite the logical possibility of pricing and wise planning, such wisdom will not in fact be exhibited by central authorities. I know of no reasoned defence of the view that central control will strengthen social unreason, but the two specific charges that proper incentive will be lacking and that socialist planning will be incapable of capital accumulation have been made and must be met.

The first of these charges can scarcely be sustained after the experience of authoritarian industrial management witnessed in Europe during and after the War. The sanctions against mismanagement provided by capitalism are bankruptcy and unemployment. The incentive for rapid and socially desirable activity is the hope of larger real incomes. There is no conceivable reason why a Central Authority should not impose just as strong, and even stronger, negative checks and provide the same type of positive inducement. Indeed, the experience of Planned Economies suggests that the danger with respect to negative checks is that they will be made too severe rather than too mild. The firing squad and the swamps of Siberia have featured too prominently as a reward for incompetent management in Russia, for example. And in the same way there is no reason in the nature of planning, and no great probability in practice, that differences in earnings will cease to be attached to grades of labour and skill which it is in the interests of society to develop and extend.

The only charge against Planning in which there

remains the least shadow of substance is that a democratic and Socialist form of planning will find it difficult to secure funds for capital accumulation. It is obvious that the *authoritarian* economy in Russia has been guilty of *over-saving* rather than under-saving, but in this case it was possible to enforce the relative restriction of consumption by the bayonet and machine-gun. Would it be possible to do the same under a democratic régime in which Trade Union influence was strong?

It would be silly to deny that in a Socialist economy the pressure to raise wages in all industries at once would be sustained and grave. Nevertheless, if the natural desire on the part of each group of workers to increase the volume of their consumption is acceded to indefinitely, the rise in wages will eat into and finally altogether destroy the funds out of which the services of the Central Government and the building of new capital can alone be financed. The surplus arising in socialized industries must be owned by society and not by the group of workers in each industry. It must be administered by the Supreme Economic Authority for the good of the whole economy, and not absorbed by the increase in the standard of living of small groups. Otherwise economic progress will cease. To this point we shall return in discussing the conditions of efficient Planning.

§ 4. An investigation of the case against Planning leaves us, then, with the conclusion that, while there is no ground for supposing that it is impossible for a centrally controlled system to be as wisely guided as an unplanned system, there is one obvious danger from which a democratically controlled Socialist economy may suffer and must be saved. But we must go on to ask if there are any reasons for supposing that a Planned Economy will be *more* efficient than an unplanned? \* There

\* It might at first sight seem absurd to set up a Planned Economy and then impose upon it the same principles of arrangement as obtained in a competitive order. Why, it might be asked, bother

are, in my view, at least four reasons for supposing that this will be the case:

1 To begin with, a centrally controlled economy will be an economy with *open eyes*. It is the essence of an unplanned and competitive arrangement of industry that the persons who take decisions about output and investment should be blind. They control such a small fraction of the output of a single commodity,\* and, therefore, take into account such a small part of the industrial field, that they are not and cannot be aware of the consequences of their own actions. They are not aware of the economic results. They do not even consider social repercussions. Competitive producers, for example, will tend to instal machinery with a view to increasing output without realizing that all their fellow producers will be doing the same thing and that prices will be forced down in consequence. They will, in fact, be forced below the price which would justify the increased output. Moreover, they will throw labour out of employment without any regard to the results of such a step. Since as producers they are not forced to maintain their erstwhile employees until they—the employees—have found new work, no final assessment of the cost of labour displacement is made by the private employer. Nevertheless, *society* has to bear the cost of maintaining the unemployed. Moreover, the sufferings of the displaced individuals as persons are part of the true cost to humanity of the technical change. In this and a thousand other ways the decisions taken in an unplanned economy must be shortsighted,

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to set up Planning machinery if you only want to arrange resources in the same way as they will be arranged under competition? This argument is quite beside the point. In the first place, it is possible to set up a wholly different distributive and social system upon the basis of a Planned Economy, and, in the second place, there are the reasons given in the text for supposing that Planning will be a more efficient method of obtaining any set of ends whatever.

\* At least, if they do not, they become monopolists, and the whole defence of Capitalism along these lines breaks down

irrational, self-frustrating and socially disastrous. There is no space to describe in detail the prejudice in favour of change, the wastage of human skill, and the continuous maladjustment which competitive industry exhibits under slowly changing conditions.\*

All these limitations of vision and calculation could be swept away by central control. The consequences of every decision can be estimated however remote from the point of disturbance they may arise. Some allowance for it can then be made. When it is decided to instal an electrical drill in a coal mine it will be possible to take into account not only the immediate effect upon the cost of extracting coal, but also the influence upon market price of an all-round rise in the output of the mines, the opportunities for the re-employment of displaced coal hewers elsewhere, the costs of maintaining them during the transitional period, and even some allowance can be made for the loss of skill and happiness—a loss that can be brought to no direct pecuniary assessment. A central authority, because it is central—because that is to say it can survey the whole industrial field—can see things no individual producer can ever see and give weight to considerations that cannot play any part in the calculations of men engaged in competing with one another. The general officers on the hill must be able to see more than the ensign in the line of battle.

2 Just as there is an extension of the field of cognition over the breadth of industry, so also is there an increase in the length of foresight in time. A Central Authority can take account of processes which are occurring so slowly, or will begin to occur so far in the future, that no single producer could be aware of their existence.

A Central Authority could have foreseen the long agony of the hand-loom weavers at the beginning of the

\* A very good example of this is the continuous failure during a hundred years of an unplanned world agriculture to adapt itself to its slowly diminishing relative importance



last century in this country, the slow and cruel pressure upon world agriculture of more recent times, the need for a large-scale redistribution of labour in England in the twenties of this century; and could have made adjustments on a sufficient scale and over a long enough period to prevent much of the suffering and disharmony that have scarred our economic and social life.

A Central Authority can foresee the exhaustion of raw materials, the wastage of natural resources of beauty and health, and the destruction of human life which the blind scrambling of short-period plans continuously ignores. Such an Authority would, if it were in existence, foresee in our own country the tragic waste of the countryside indiscriminate building is everywhere occasioning, discern the disastrous social and economic consequences of the continual movement of industry into the south, and tackle in its greater wisdom the task of assessing the real social requirements in respect of the geographical distribution of industry and employment \*

3. One of the most important matters with which a Planning Authority will have to deal is the relation between finance and production. In no other field has the unplanned economy been less successful. The constant recurrence of depression and the instability of prosperity is one of the most marked features of capitalist society, and there is a virtual unanimity among economists that the wide movements of industrial activity are traceable to the mismanagement of the relation between credit policy and production. Moreover, the whole trend of recent thought on this subject

\* *Laissez-faire* economists sometimes argue that the correct distribution will be made by the process of costing up the various sites for the location of factories. This might be the case if it were not for the fact that all sorts of vitally important economic considerations—the health of the neighbourhood, the costs of transferring labour, the natural amenities which are destroyed, and the social capital in other areas which is wasted—find no place in the costings of an unplanned economy. Only a centralized control could assess the importance of these factors.

has gone to show that, if it were possible to control one critical relation, the problem would be solved. The crucial relation is that between the savings of the public—the amount of money income which is not spent on consumption—and the money which is invested in setting up new capital. In an unplanned economy there are two sources of disequilibrium: (a) in the first place, the people who save and the people who invest are in no direct connection with each other, and it is no one's business to see that acts of saving are followed immediately by equal acts of investment; (b) in the second place, private banking institutions are in a position to vary the volume of investment without any reference to the course of saving. These are two sources of serious instability and are responsible between them for a very considerable proportion of the unemployment which has afflicted Capitalism throughout its history. No doubt there are purely scientific problems of great intricacy which must be resolved before we can hope to create and maintain stable prosperity. In my view, a large proportion of this necessary preliminary scientific work has been brought to a successful conclusion in recent years. But, whether that is the case or not, it is quite certain that whatever the correct monetary policy may be, it can only be enforced upon private corporations by the creation of an Authority in the financial sphere with adequate powers to over-ride all private considerations in the interest of general harmony. It is therefore safe to say that cyclical oscillation—the major cause of unemployment—will never be cured without the creation of the institutions of centralized *monetary* control. The financial field provides one of the most important opportunities for a Planned Economy to prove more efficient than an unplanned.\*

4. Finally, there is one way in which a Socialist Economy may expect an increase in the volume and efficiency of the factors of production which is not

\* See Durbin, *The Problem of Credit Policy*, Chapter VIII

available for any other sort of economy whatever—and that is in the attitude of the Trade Union worker to production. In an industrial world dominated by the struggle between organized property and organized labour for status and wealth, it is inevitable that all sorts of obstructive regulations should arise and “*ca’ canny*” practices be enforced. These are, no doubt, partly due to the continuously recurring contractions in the demand for labour. But this is not wholly the case. A residuum of such resistance is wholly attributable to the dislike of the employer and the rights of property as such. There is, therefore, every reason to believe that there will be an increased willingness to relax such restrictions and to co-operate more willingly with the management side of industry when a Socialist Authority has raised the status of workers’ representation and can provide full employment for the working population. No doubt too much has been made of this “*change of spirit*” in the Socialist apologetics of the past. The probability of conflicts between the interests of workers organized in industrial groups and the general service of society is very real. But to assert that the socialization of the means of production and distribution would release *no* new stores of vital productive energy in the labour force, would be to ignore the width and intensity of the Socialist sentiment which consciously or unconsciously animates the whole proletariat of a modern society.

§ 5 If the arguments of this article are correct, it follows that, while there are no inherent and insuperable obstacles to prevent a centrally controlled economy from making wise distribution of the resources at its disposal, there are several reasons why it *could*, if it chose, make a better distribution and secure a greater volume of production. Will it do so? The answer to that question rests with the future and is not subject to rigid prophecy. A Socialist Planning Authority will probably make use of some of these opportunities and not of others. But it is possible to lay down with

some degree of certainty the conditions for the successful operation of a planned system in Great Britain.

In the *first* place, it will be essential to set up some kind of Central Authority with power over industry and finance. And this for two reasons:

(a) It will not do merely to create a large number of powerful but autonomous Public Corporations. This is only Planning of the first degree. It is subject to manifold dangers and limitations. It is quite true that Public Corporations operating with legally limited rates of profits will not be able to exert the same kind of monopoly pressure as a purely private body placed in the same dominating position. But it will possess the power and the motive to restrict the volume of service rendered, and to raise prices or fail to lower them, in the interests of the workers and the management in that industry. If such dangerous syndicalist tendencies are to be overruled, some authority with power to fix prices, output, and investment must be set over the Public Corporations.

(b) Of even greater importance, since restriction is always the child of financial stringency, is the need to control the financial mechanisms of the economy. It is of supreme urgency, if the Planned Economy is to be rendered popular and therefore stable in the midst of a democracy, to see that the early days of central control are followed by an expansion of employment and a stabilization at the higher level. This can only be done by control of banking and investment policy. The creation of a National Investment Board, the control of policy of the Joint Stock Banks and the use of the powers so acquired for the execution of a concerted plan of expansion and subsequent stabilization are, in my view, a *sine qua non* condition of successful Planning\*.

If this is the case, the process of socialization must begin rather than end with the creation of a Supreme

\* For a slightly fuller account of such a policy see Part II of my *Socialist Credit Policy* (Gollancz and New Fabian Research Bureau) and *The Problem of Credit Policy*. Chapter VII.

**Economic Authority** It does not matter whether the Authority consists of a Planning Department with a responsible Minister at the head of it, or a sub-committee of the Cabinet with the responsible Minister in the Chair, or even a number of Commissioners under general Parliamentary control, as long as the body is not too big or cumbersome and is of a representative character. But it is of vital importance that one small body should have before it the relations between industry and industry on the one hand and industry and finance on the other. Only by this device is it reasonable to hope that the full advantages of central control can be secured.

In the *second* place, it is of great importance that an Authority with general powers should proceed upon the basis of a reasonable pricing and costing policy. Economists have been right to insist that the problem of distributing scarce resources between alternative employments exists for all economies—for a Socialist economy as much as a Capitalist. It is imperative to know what particular commodities are worth and how much they cost if any solution to the problem is to be found. As we have seen, it is not absolutely essential that the principles of costing should be accurate in every particular. They are certainly anything but accurate in existing competitive economies. The principles of costing under Socialist Planning will be less accurate in some important respects and more accurate in others. It will tend, for example, to obliterate the differences between the productivity of individuals within large groups of workers, but it will certainly assess to each type of production the general social disadvantages which private producers can shift on to the community. There is no reason why Socialist costing should not be as accurate or even more accurate on balance than competitive costing—but costing there must be. If the Central Authority insists upon pricing outputs fairly, and secures uniform costing principles throughout the sector of socialized industry, the last requirement of efficiency—that of securing the distribution

of labour and capital according to the differences between prices and costs—will arise. We can see the nature of this last requirement in the light of the general conclusion to which we are brought.

It has been the purpose of this article to emphasize that the importance of Planning to a democratic Socialist is twofold. In the first place, a transference of industry to social control is the pre-requisite political condition for any stable advance to a more just society. In the second place, Planning is vitally important in order to establish a more efficient economic system. This will render the approach to equality popular and, in any case, it is desirable for its own sake. In the establishment of a more efficient economy the most important single change lies undoubtedly in the cure of periodical depressions. But beyond that task, stretching out into the future when full employment is secured, there remains the double task of maintaining economic advance through the accumulation of capital and retaining the flexibility in the arrangement of the factors of production. Now, neither of these tasks can possibly be performed unless there is a willingness on the part of organized labour to adjust itself to the new conditions of national control. As we have already seen, the only way in which the accumulation of capital can be financed is by the withdrawal of part of the funds earned by socialized industries from the workers employed in them to finance the capital items in the industrial budget. Surpluses arising in socialized industries must not belong to the workers in such industries. They must belong to the State. And in the same way, if correct adjustments are to be made within the industrial structure, the vested interests of the workers in any particular industry must never be allowed to prevent contraction of employment if it is making losses or expansion if it is making profits. No one with a knowledge of Trade Union opinions and practices will doubt that this is one of the real problems of Socialist Planning.

The third, and perhaps the most important, requirement of efficient Planning is therefore the supersession in the Trade Union and Labour Movement in practice as well as in theory of the last elements of Syndicalism. All partial groups of workers by hand and brain—lawyers as well as bricklayers, postmen as well as doctors—must be prepared in the last resort to allow their own interests to be subordinated to the interests of the workers as a whole. It is scarcely necessary to point out that this does not mean that no regard is to be given for the general human desire for stability and security. Nor does it mean that the vast majority of workers will not benefit by the processes of mutual concession that are demanded from us all. On the contrary, a rapid rate of capital accumulation and a reasonable degree of flexibility are of vital importance for the welfare of every single worker in his nature as a consumer. Only within these conditions can any individual enjoy a rapidly rising standard of living. The interests of all persons as consumers may be in conflict with the interests of particular groups of persons as producers. What is requisite for efficiency is that the interests of all should be served by a continuous process of concession on the part of particular groups. We must all mitigate our claims in order that others may mitigate their claims against us and that by compromise we may all live.

The efficiency of Planning depends in the last resort upon the breadth and consistency of the Socialist faith which animates us. The organized workers who claim with justice that the interests of the community should not be over-ridden for the profits of the few should go on to add that those same interests must not be over-ridden for the wages of a few. The interests of the whole are sovereign over the interests of the part. In society we are born; by society we must live. To the centralized control of a democratic community our livelihood and our security must be submitted. It is the business of society to secure the welfare of all. To do so it must be able to set limits to the welfare of each one of us.

## X

# FINANCIAL POLICY IN THE TRANSITION PERIOD

By HUGH GAITSKELL

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## X

### FINANCIAL POLICY IN THE TRANSITION PERIOD

SOCIALISTS of all colours and denominations agree that there must be a transition period. No one seriously maintains that the change-over from a Capitalist to a Socialist system can take place over-night. The dispute between Right Wing and Left Wing is concerned not so much with the rate of progress as with the character of the road by which it is possible to travel. It is a dispute about the conditions under which the transition can and should take place.

The Communist chooses a road which starts with revolution. Only after the revolution is over does the transition period properly begin. It is a period called "The Dictatorship of the Proletariat." The power which has been won by revolution must be used ruthlessly to suppress all criticism, propaganda and the entire activity of opposition parties and groups. No opportunity will be given to the people to be misled into turning out their rulers by the use of votes. The consequence is that the Government need not be concerned—except to a very minor extent—with the popularity or unpopularity of its measures. The only public opinion suffered to exist is created by the Government itself, and can therefore be relied upon to support it under all conditions.

This is not the road which the British Labour Party has chosen. The dictatorship of the proletariat will not be the background of the transition to Socialism

in Great Britain, and it is not the background postulated in the following pages. It is assumed here that the period of transition takes place within the framework of normal parliamentary democracy. A Labour Government is in power because it has secured an adequate majority at a general election. It governs in the face of the free criticism and propaganda of the Opposition. It comes into power with the consent of the people, and it must seek throughout to retain and strengthen the basis of that consent. This is one of the circumstances which lends a special significance to Socialist financial policy in Great Britain.

The main purpose of a Socialist Government must be to build up the institutional framework of the Socialist State. The centre of gravity in its programme of legislation must be the socialization of the major industries of the country. But the benefits of much of this legislation to the community as a whole will accrue only slowly. The effects on unemployment and the standard of living will be substantial only in the long run, as more and more industries are brought under public control. It is essential, therefore, for the Government to secure, in addition, such immediate improvements in the living conditions of the people as a semi-capitalist framework can provide. Partly these improvements will be derived from a direct increase in the Social Services. There must be more generous treatment for the unemployed; the Means Test must be abolished; the school-leaving age must be raised. But even these badly needed relief measures will be inadequate to retain popular support in the transition period unless they are accompanied by a rapid decline in unemployment. If the socialization policy is to be carried through successfully, it must be accompanied by measures especially designed to secure prosperity.\*

Now, the greatest potential source of such a recovery

\* This article is written on the assumption that the Labour Government takes office during an industrial depression

lies undoubtedly in a satisfactory financial policy. A Socialist Government which neglected this fact would probably not succeed in carrying out the rest of its programme. It is almost certain that it would fail at the next general election to secure an extension of power.\* There is another reason, too, why finance is especially important for a Socialist Government. It is possible that its work will be seriously hindered by certain reactions and tendencies in the financial world during, and particularly at the beginning of, its term of office.

Much has already been said and written about the financial crisis which will follow the accession of a Labour Government to power; in the next few months it will doubtless become more and more the chief bogey which Conservative speakers will present to their audiences. Is the bogey a real one? The question cannot possibly be answered without a more precise examination of the actual position. There are, in fact, three separate questions to consider. There is the possibility of panic and the different forms which it may take; there is the consequence of panic on industry and employment; there is the action which may be required to deal with the situation. It will be convenient to discuss these matters first and to leave until later the more positive aspects of Socialist monetary policy.

It is still a popular illusion to suppose that a "financial crisis" must always have serious repercussions on industry, that it is an obstacle which cannot be overcome, and that it is something which must therefore at all costs be avoided. It is true that such a "crisis" is sometimes dangerous, especially when it develops out of an unstable economic situation. But it is also true that the popular fear of any panic is in general hopelessly exaggerated.

An excellent illustration of the contrast between

\* It must be remembered that opposition from the House of Lords may provoke a second general election comparatively soon after the first.

anticipation and reality in such matters was provided when Great Britain abandoned the gold standard in 1931. Even more significant, for the purpose of this article, is the story of the American banking crisis of March 1933. A few days before President Roosevelt came into office, a run on the banks started which spread rapidly from state to state, and led eventually to the closing down of every bank in the country. For a day or two the whole of American financial machinery was paralysed. Yet within two weeks confidence had been restored and within two months the United States was enjoying the biggest wave of prosperity since 1929. These illustrations alone indicate that much of the fear which is attached to the idea of a financial crisis is entirely without foundation. Provided that the Government understands the situation, there is no particular cause for anxiety.

There are three centres in the financial system where the repercussions of a Socialist general election victory may be felt. These are the Foreign Exchange market, the Capital market and the Joint Stock banks.

In actual fact, it is not the change of government itself, but the prospect of this change which will first begin to exert an influence. If there is anxiety in the financial world, this will be revealed in a downward movement of prices and a depreciation of sterling some months before the general election actually takes place. Now, it may be that the anticipated price movement is in this way discounted in advance so that the whole of the depreciation takes place before the election. The election itself, although it results in a Socialist victory, may even be followed by a rebound as tension relaxes; the grounds for a permanent fall of this character seem to be slight and speculators who have sold forward are compelled to cover their commitments. Another possibility is that the previous Government will already have been driven to intervene. Such intervention is in general likely to assist the Socialist Government. If, for

example, it involves taking powers to control the credit policy of the Bank of England and the Joint Stock banks or a prohibition of the export of capital, it will enable the new Government to take charge of the situation more easily and to dispense with certain emergency measures which might otherwise become necessary.

There is, however, one type of intervention which would prove a definite handicap. If the depreciation of sterling and the fall in the price of securities were countered in the last months of the old Government by heavy sales of the Exchange Equalization Account's foreign assets,\* the Socialist Government might find itself awkwardly placed. The very fact that no depreciation had taken place before the election would probably increase the pressure of sales as soon as the election results became known. By reason of its extensive purchases in the previous months, the Exchange Account would not be able to support the pound much further. The new Government would be faced with a flight from sterling at the moment when the simplest and speediest method of control was no longer effective.

Although, therefore, there are some grounds for believing that on its accession to power a Socialist Government would have no special financial difficulties to face, it would be foolish to gamble on this possibility. It is at least worth while considering what policy the Government should pursue if it is faced with any or all of the three types of reactions mentioned above †

\* The Exchange Equalization Account was established in 1932 for the purpose of preventing undue fluctuations in the exchanges. It is a Government department under the Chancellor of the Exchequer. It fulfils its function in the main by selling sterling for gold, francs or dollars when sterling is in demand and buying sterling with gold, francs or dollars when the latter are in demand. For a full treatment see Professor N. F. Hall's admirable book *The Exchange Equalization Account*.

† The problem of policy is a double one. It is first necessary to discover what financial or economic action should be taken. It is then necessary to consider the legal or political question of how the power to take this action can best be secured. In the main it is only with the former of these tasks that this essay is concerned.

It will be convenient to consider first the position in the foreign exchange market. So long as Great Britain remained on the gold standard a flight from the pound on a large scale led to heavy and continuous withdrawals of gold. The Bank of England, being bound by the terms of its charter to sell gold for sterling at a fixed rate, was also bound to prevent the exhaustion of its gold reserve. Action therefore had to be taken to stop a flight from the pound. Now that Great Britain is no longer on the gold standard, this is no longer the case. A flight from the pound would simply lead to-day, in the absence of intervention, to a depreciation of sterling. Is there anything undesirable about this? Is any action at all needed? These are the first questions to be answered.

There are at least three arguments against taking action. It is nowadays a matter of common knowledge that a fall in the pound reduces the price of British exports abroad and increases the price of foreign imports here. It acts, therefore, as a stimulus both to the export trades and also to those trades which compete with imports. Since it is in the export trades that the heaviest unemployment is still to be found, no Government can afford to neglect anything which may assist their expansion. At the same time, there is no reason to anticipate that the rise in the price of imports will seriously affect the cost of living, partly because many of our most essential imports come from countries whose exchanges are linked to sterling,\* and partly because the import price is in most cases only a fraction of the price eventually charged by the retailer. Secondly, and precisely because of this tendency for exports to increase and imports to decrease, it is unlikely that the exchange will fall very far. It will be held up by speculative purchases of sterling because of the realization that the pound is seriously under-valued. At the existing lower level

\* It must be admitted that a very severe fall in the pound might lead to the break up of the sterling block

exports will increase and imports diminish, a surplus will be acquired on the balance of payments, and hence the pound will rise again. The *expectation* of this rather distant development will check the depreciation of sterling long before the actual commercial forces come into operation.

Moreover, it is just possible that other countries will not be content to allow their currencies to appreciate in terms of sterling. They may fear the increased competition of British goods, which will result from a fall in the pound. In particular the countries of the gold block will see that a depreciated sterling may force them into abandoning the gold standard. In these circumstances, it is by no means inconceivable that the more important foreign central banks will associate themselves for the purpose of holding up the value of the pound.

These arguments, however, cannot be accepted as entirely convincing. It is not necessarily the case that a depreciation of the exchange always improves the position of the balance of payments. There may be counteracting forces at work. If it is generally believed that these counteracting forces are at work, then the speculative support for sterling—based on the anticipation of the future balance of payments position—will not be forthcoming. How far must we allow for the presence of such forces in the case we are considering?

First it must be admitted that the benefits which a depreciating exchange brings to the export trades are seriously limited by the widespread existence of quotas, special trading agreements and the imposition of variable tariffs to deal with "exchange dumping."

Secondly—and much more important—the benefit to the unsheltered trades only arises in so far as the depreciation of the exchange is accompanied by no rise in the level of prices and costs. If prices and costs are rising here relatively to the level elsewhere, then the improved position of these trades will be offset and the stimulus to increase employment in the export and



import competing trades will not be present. This, in turn, will react on the import-export position, and so check the improvement in the balance of payments

Are there any grounds for believing that the depreciation would be accompanied by such a relative rise in prices? There is one special reason why this may be the case

A financial expansion internally is precisely what the Socialist Government really requires. Such a policy must be pursued if a serious attack is to be made on unemployment. But there can be no doubt that the expectation of monetary expansion will have an adverse effect on the value of sterling. It may be said, with some justification, that there is no need to anticipate an absolute rise in prices from this source because of the increased volume of production made possible. But it is doubtful whether a rise can be avoided in the long run—relative at least to the prices ruling in other countries. Moreover, the position of the exchanges is not likely to be affected by the consideration of such a fine theoretical point. The announcement of an expansionist programme will be understood as “inflation,” and “inflation” will be understood as affecting less favourably the future balance of payments. For this reason, the buying of sterling will be discouraged.

Now, neither the internal expansion nor the depreciation of the exchange is a development at which we need be alarmed. On the contrary, the depreciation is a necessary accompaniment of this particular monetary policy. without it the policy would not succeed. The need for expansion is therefore an argument for depreciation. But it is not an argument for allowing the depreciation to take its course without any control whatever. For there is a danger, if openly inflationary measures are adopted internally, that the depreciation may be very sharp indeed and that the pound may fall at a somewhat alarming rate, and it is just possible that serious depreciation might lead to an internal panic or force the Govern-

ment to pursue a more rapid inflation policy, which would then lead to still further depreciation.

The two counteracting forces so far considered affect the level of the exchange by preventing that increase in exports and decrease in imports which would otherwise follow the depreciation. But it is also possible for the exchange to remain permanently unfavourable even though exports increase and imports decrease. For the exchange value of sterling will be determined not by the export-import position alone, but by all transactions which involve the purchase and sale of foreign currencies in exchange for sterling.

Now, if, quite apart from the panic demand for foreign currency at the outset, there is a steady inclination on the part of investors throughout the lifetime of the Labour Government to sell sterling and buy foreign securities, the value of sterling will necessarily be kept low. Even though the export-import position increases the demand for sterling, it may be offset by this export of capital. Moreover, the export of capital may take the form not merely of the actual purchase of foreign securities, but also of a disinclination to convert the dividends and interest accruing abroad into sterling. This possibility is likely to affect the attitude of speculators, and therefore to influence the immediate level of the exchange. It is true that the export of capital raises issues of a rather different character from those raised by internal monetary expansion. These will be discussed later. For the moment it is sufficient to point out that it is also a factor which undermines the argument that intervention is unnecessary because commercial forces will be adequate to check depreciation.

Finally, there is the fact that continuous sharp fluctuation in the exchange rates has a profoundly unsettling influence upon trade, and would seriously undermine the industrial recovery which the Government was concerned to bring about. On the whole, therefore, there is a strong case for control of some kind, if only as a

measure of security in case of possible dangers. We shall therefore proceed now to review the various forms of control which might be adopted.

The traditional weapon in the hands of a central bank for dealing with an adverse exchange situation is its rate of discount. Changes in this, which influence the money market, led, so long as the gold standard was in operation, to an immediate movement of short-term funds. A tendency for the exchange to depreciate could be checked at once by a rise in interest rates and an inflow of short-term capital. A deficiency in the total balance of payments on current and capital account was thus offset at once by short-term borrowing.

There are, however, two arguments against its use in the conditions discussed here. In the first place, it will be detrimental to the attempt to secure internal monetary expansion, since it will confirm the movement towards higher interest rates instead of checking it. Secondly, it is very unlikely, in the event of a strong pressure against sterling, that a movement of interest rates would do anything to stop the flight of capital. Those attempting to sell sterling will be doing so not because a higher interest yield can be obtained elsewhere, but because, on account of the political situation, they anticipate a considerable depreciation in the value of the pound. A rise in interest rates in London will not serve to overcome these fears and suspicions unless they really are accompanied by determined deflationary measures. But, as we have seen, such measures would not be favoured by the Government. We are forced therefore to conclude that the rate of interest is not an instrument which will be of much practical value in the circumstances considered here. This conclusion is supported by the fact that in the last three years fluctuations in the exchanges, which would otherwise have followed movements of short-term capital to and from this country, have been prevented not by the mechanism

of the Bank Rate, but by the operations of a new form of control—the Exchange Equalization Account

The use of the Exchange Equalization Account will be the first potential line of defence for the Government, if faced with a flight from the pound. But both the desirability of using it and its efficacy will depend on the position of the Account at the moment when the new Government comes into office. Obviously the Account can only be used to check a depreciation of sterling if it can provide the market with plentiful supplies of foreign exchange to meet the increased demand. As has already been mentioned, it is by no means certain that this will be the case. If, however, the Account has not already lost its power, what policy ought to be pursued?

There is a great deal to be said for not interfering at all during the early stages of the depreciation; so long as it is only moderate, a fall in the pound brings with it no special dangers. To use up the assets of the Account in an attempt to check any depreciation whatever would, in all probability, not prevent the export of capital. It might even positively encourage it, by removing the losses which sales of sterling on a depreciated exchange would otherwise involve. The chances are, therefore, that the flight of capital would continue, and would be followed, directly the Account's foreign assets were exhausted, by a sharp and quite uncontrolled fall in the exchanges.

Moreover, as we have already seen, there are certain normal commercial tendencies which will tend to check a fall in the pound. It would be foolish not to allow these to operate to the fullest possible extent. It is desirable also to allow a certain fall in the external value of sterling in order to make possible internal monetary expansion. The danger that this internal expansion will provoke too sharp a fall, and that the fall will then lead to uncontrolled internal expansion, can be far better met by using the fund to support sterling *after a certain degree of depreciation has already taken place.*

It will then be brought into play as an addition to, and not in substitute for, the normal commercial buying.\*

A careful use of the Exchange Equalization Account may be all that is required to guarantee that the instability is only temporary, and the depreciation only moderate. It is, however, only the first line of defence. If necessary other measures can be adopted as well. It would be advisable, in any case, to strengthen the position of the fund by mobilizing on its behalf a part of the gold and foreign assets now held by the Bank of England. At the present moment the Bank's note issue is still governed by the Fiduciary Laws. A loss of gold from the bank must be accompanied by a decrease in the note issue. This need not necessarily have a deflationary effect. There might simply be a reduction of the cash reserve in the banking department. But there are obvious limits to this. Two other courses of action remain open.

First the gold in the Bank's reserve, which is still valued at 80s an oz., could be re-valued to a figure at least nearer the present price of gold (say 120s.). This would release for the use of the Exchange Account a sum of gold amounting at present market prices to over £100 million. The transaction would involve no change in the banking situation. For book-keeping purposes the Account would hand over to the Bank of England treasury bills to the amount of gold bought, which would then be handed back to the Treasury as the profits of the re-valuation accruing to the issue department.

Secondly, the recommendation of the Macmillan Committee to repeal the Fiduciary Laws and bring to an end the direct connection between the old reserve and the note issue might also be adopted †

\* It might even be advisable for the Account to sell sterling at the outset on a falling market and thus acquire additional foreign assets

† See Report on Industry and Finance, 1931, paragraphs 322-330. The committee recommended that the reserve should not be allowed to fall below £75 million, and that it should normally be

The use of the Exchange Equalization Account in this manner is undoubtedly the simplest and most satisfactory method of preventing the depreciation of sterling from reaching undesirable limits. It involves no restrictions upon the activity of private traders, and it raises no administrative difficulties. In an emergency situation these are valuable qualifications. But it is possible that the Account alone might not be sufficiently strong to maintain control. More direct methods may have to be employed.

Of these the most obvious is the prohibition of the export of capital. There is nothing peculiar in such a prohibition. It has been adopted by every Government—including our own—that wished to hinder exchange depreciation. It may be supported for two reasons. First, in order to prevent an excessive fall in the pound at the very outset of the new Government's career, when, owing to a combination of panic and pure speculation, such a fall was threatened. Second, in order to prevent that steady flight from the pound throughout the Government's lifetime to which reference has already been made. If only the first reason was considered sufficiently important, the prohibition could be withdrawn as soon as the period of panic was over. There is, however, much to be said for maintaining it. The export of capital in such circumstances will require a certain contraction of imports and expansion of exports. For the transfer of goods must follow the transfer of money. This is only likely to be secured through a depreciation of the exchanges and a fall in the price of our exports abroad. More in the way of exports has therefore to be given for a certain volume of imports: to that extent the national income, including

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larger than this. The reserve is at present £190 million valued at 80s an oz. If, following the committee's recommendation, it was considered desirable to retain a reserve of—say—£100 million at the existing price of gold (140s) it would be possible to hand over to the Account £232½ million. If no re-valuation took place first, the sum would be £157½ million.

the share of the workers, is necessarily lower \* To permit the free export of capital in such circumstances would therefore be tantamount to depreciating the exchange unnecessarily far. Furthermore, in so far as it assisted individuals to evade the payment of taxes or death duties by accumulating capital in other countries and then emigrating, it would leave the future community much worse off. On these grounds, therefore, as well as on account of the exchange situation, the free export of capital should be prohibited and this prohibition should be maintained.

At the outset legal prohibition alone would probably prove a sufficient deterrent. But in the long run evasion would take place unless adequate machinery for enforcement existed. This machinery would not be very difficult to set up. It would be simplest to establish a system of licensing under the control of the Bank of England. The purchase and sale of foreign exchange would be permitted only to licensed firms. These firms would be prohibited from selling foreign exchange except for normal commercial purposes. Evasion on their part would be punished both with heavy fines and the withdrawal of the licence. Similarly all unlicensed dealing would be an offence. Anyone desiring to buy or sell foreign exchange would have to do so either through his bank or through one of the licensed firms. If, nevertheless, evasion still continued, and it was found difficult to supervise the dealings of licensed firms, the more drastic measure of making all foreign exchange dealing a monopoly of the State would have to be introduced. Such a monopoly could easily be administered through the Bank of England—whose foreign business would be under Government control. In this way the Government could make sure that the

\* It must be admitted that the simple exchange of British for Foreign Securities would not produce this result. Such an exchange, however, with sterling depreciated, would mean the sale of British property at bargain prices to foreigners.

demand for foreign exchange was confined to that of importers.\*

How far would these proposals, if carried out, eliminate altogether the possibility of evasion? It must be conceded that in practically every country where restrictions have been introduced evasion has taken place. In some cases this has led to a breakdown of the restrictions, in others to a tightening up of the mechanism of control. But the case we are considering here differs in one exceedingly important respect from those of continental countries. Both the failure and complexity of many continental attempts at control have been due to the fact that the currency was over-valued, and that at the existing controlled rates of exchange there was bound to be an excess of imports. Control was accompanied by the rationing of the available foreign exchange to importers, and those who could not secure adequate supplies were naturally driven to seek a better price elsewhere. In this case, on the other hand, there would be *no restriction placed on the purchase of exchange for the payment of imports. An excess of imports would be met by a fall in the exchanges.* The purpose of the control is not to hold the exchanges to one particular level, but only to prevent an excessive depreciation. Thus the number of those prepared to sell sterling at a rate below the market rate would be appreciably lower.

It is possible that black markets would spring up. But it is exceedingly unlikely that such markets would assume serious dimensions. For those anxious to sell sterling there would be the double disadvantage of a very low price for what they were selling and the risk of prosecution in addition: for those anxious to buy sterling there would also be the risk of detection, the inconvenience and uncertainty, while the normal

\* It would, however, be advisable to place no restrictions on the withdrawal of funds by foreigners. The machinery for exemption would be quite simple. Application would have to be made by the licensed firms to the Bank of England, accompanied by proofs that the funds in question really were the property of foreigners.



market price would in itself be quite favourable. It is most improbable that the ordinary exporter would bother to look for the better rate. Nor would evasion lead to any breakdown of the control system; there would simply be a fall in the official rate of exchange owing to the shortage of foreign currency available from exporters; and the more the exchange fell, the less the attraction for exporters to sell in the black market.

But even if the measures so far discussed did not prove adequate to meet the situation—and it must be emphasized that the chances that they would not are exceedingly small—two further and more drastic instruments could be used. First, the supply of foreign currency offered for exchange at the official rate could be increased by requiring all those in the habit of receiving such currency either on account of exports or as interest on foreign securities to sell it to the State monopoly. Such a measure could be enforced only if more or less complete information existed about the details of the assets accruing abroad. So far as exports are concerned, this could be done by requiring all exporters to provide the Government with copies of their invoices. So far as dividends, etc., are concerned, the information could be easily acquired in respect of investments in companies registered in this country. It would be more difficult in the case of companies registered abroad. But a considerable part of the gap at least would be closed in this way. The Government could make sure that only a very small part of the total current income of the country derived from abroad was not being made available.

Secondly, the position of the Exchange Account could be made overwhelmingly strong by the mobilization of all or a part of the foreign securities held by British citizens. This measure may appear extreme. But in fact it would merely be compelling individuals and companies to sell certain types of property, the

purchase of which had already been made illegal. It would bring with it no losses to anyone: it would merely prevent individuals from securing special benefits from the depreciation. Since, after all, the depreciation will have been due very largely to the decision of the Government to allow it, there is everything to be said for preventing private persons from reaping an entirely undeserved profit out of it.

The objections to a general mobilization of foreign assets are not moral but administrative in character, and even here the complications can be exaggerated. If carried through it would give an absolutely effective control over the exchanges to the Government, and it would also eliminate the vested interest in property abroad which can sometimes prove such a menace to peace. Even if it was decided that a transfer could not be considered in the early stages of the Government, on account of lack of time and fear of political misrepresentation, there is much to be said for at least preparing the ground. The Bank of England should be given powers to compile a complete register of the holdings of foreign securities, short and long term. As has been indicated, such a register would also be required if it were considered necessary to compel the conversion of dividends accruing abroad into sterling. With this information the actual transfer of securities would be a much simpler affair \*

This concludes the analysis of the possibility and dangers of a flight from the pound and the discussion of the measures required to meet the situation. It will be seen that the danger of collapse—whatever precisely that may mean—is absolutely negligible. In all

\* At the outbreak of war—and, so one understands, in 1931—some of the leading insurance companies offered their holdings of foreign securities to the Government. A partial mobilization of this kind might also be contemplated. In any case, once it was known that the Government possessed the right of acquisition and would use it if necessary, speculative sales of sterling would certainly be completely checked.

probability a slight depreciation is all that need be anticipated, and no new measures need be taken to counteract it. If further action is considered desirable, there are several successive lines of defence. The use of all of these would make the Government complete master of the situation. It is, however, exceedingly unlikely that they will all be required. The use of the Exchange Equalization Account, which itself should not interfere with a reasonable depreciation, the strengthening of the Account by means of the re-valuation of the Bank of England gold reserve, a ban on the export of capital—these measures would be almost certainly adequate to meet any panic which might arise. Those who speak of a real danger to industry and employment from this source have no justification whatever for their statements.

The flight from the pound, so long as it leads only to a moderate depreciation, will have, apart from some inevitable uncertainty at the outset, no adverse effects upon industry and employment. Indeed, in so far as it makes possible an expansionist policy internally, the depreciation is to be welcomed. How far is it possible to draw the same conclusion about the gilt-edged market, the second vulnerable spot in the financial system?

In order to answer this, it is necessary to distinguish between the short- and long-term markets. In the first place, have we any reason to anticipate a serious fall in Bill prices, which is, of course, equivalent to a rise in the short-term rate of interest? There seems on the whole little reason to anticipate this. So long as no doubt exists about the soundness of a bill, the holder is certain that in three months' time at any rate he can obtain its full sterling value when the bill reaches maturity. Selling of bills will be confined therefore to foreigners who expect exchange depreciation and are anxious to get rid of sterling altogether. Now, the influence of selling by nervous foreign holders is not

likely to be very great. The sale of bills will create for them a sterling deposit. The sterling deposit will then be taken over by those from whom they buy foreign currencies. Is there any special reason why the new holder of sterling should prefer to leave his money on deposit rather than purchase bills with it? To some extent, no doubt, the selling of bills would not take place directly, but indirectly, through banks holding them as cover against foreign deposits. On the withdrawal of the deposits the banks would sell the bills. But here again there would be offsetting; for the sterling sold would be bought by someone and the deposits in the Banks as a whole would be unchanged. There would therefore be just as much reason for them to buy bills to hold against the new deposits.

In short, so long as the cash reserves of the Joint Stock banks are not changed, there is no reason why they should be driven to sell bills or to stop buying them, and so long as there is complete certainty that no default will take place, the bills will continue to provide a convenient liquid investment. There is, therefore, no reason to anticipate any considerable rise in the short-term rate of interest as a direct consequence of the political change. Moreover, any rise would almost certainly be checked as soon as investment in bills became more profitable. It is only if, for some other reason not immediately associated with the flight from the pound, the banks find themselves in difficulties, that they will refrain from buying bills.

Incidentally, the consequences of higher short-term rates, should they develop, will be more serious for the budget than for industry. A rise of 1 per cent. in the Treasury Bill rate is not likely to affect the business man very greatly but it may well cost the exchequer anything from £4 to £6 million a year in interest on the floating debt.

There is no doubt that the effects of a fall in the price of long-term Government securities, less spectacular

though it may be, would be far more serious. This will be particularly the case if it comes about not through the competition of new industrial issues—such a competition is rather to be welcomed—but simply because of a desire on the part of security-holders to transfer their property into the more liquid form of bank deposits. The reactions of a downward movement are widespread. In the first place, it increases the cost of Government or municipal long-term borrowing, and therefore checks both the possibility—where it might otherwise exist—of further conversion operations and also the cost of raising a new loan for housing or public works. Secondly, the sympathetic or possibly simultaneous downward movement of industrial security prices will deter companies from making new issues, and there will be a corresponding check to real investment. To the uncertainty created by the political situation will be added an increase in the cost of borrowing. Moreover, businesses which are working on a bank overdraft secured by gilt-edged stocks will find the value of their collateral declining, and may be forced to divert funds from industry to the repayment of a part of these overdrafts. Finally, the position of banks and other financial houses, whose assets to no small extent take the form of long-term securities, may become definitely critical if the slump is exceedingly severe. It might even be that the Joint Stock banks, faced with this situation, would attempt to call in their loans and sell their investments. But by driving down gilt-edged prices further this would only serve to aggravate the position. There can, therefore, be no doubt whatever that such a slump in security values, if allowed to proceed unchecked, would practically eliminate the possibility of expansion and gravely endanger the whole of the Government's programme. Fortunately, the steps which need to be taken to prevent it are of an exceedingly simple character.

Of these the most moderate would be the purchase of securities by the Bank of England in the open market,

An open-market operation of this kind has, of course, a double influence. First, it tends in itself to check the fall in prices, secondly, by increasing the balances of the Joint Stock banks, it provides them with the means of following the central banks' example. This policy alone might prove adequate. But it is not inconceivable that the increase in the balances of the Joint Stock banks would only just offset their increased desire for liquidity, so that they simply preferred to keep a much higher cash ratio than before. In this case the Government would be forced to intervene and compel the banks to purchase investments. It is safe to say that if this were done the fall in gilt-edged prices could be checked without difficulty. The banks would simply buy all securities offered at a fixed price, the Bank of England increasing their reserves by open-market policy as the occasion demanded. Once it became clear that there was to be no slump in gilt-edged, sellers would stop wishing to sell and the pressure would be withdrawn. But to achieve this a concerted policy of the Bank of England and the Joint Stock banks, and perhaps also the Insurance Companies, would probably be necessary. We shall see later that the same kind of action would also be required when the Government turned its attention from the more negative business of dealing with panic selling to the positive business of achieving industrial expansion.

We turn now to the third possible cause of difficulty within the financial system—a run on the banks. Bank depositors may lose confidence in their banks for two different reasons. They may discover that the value of a bank's assets is less than its liabilities—in other words, that it is making losses—and may therefore decide to try to secure immediate repayment of the bank's debt to them. The majority of normal bank "failures" in America have been of this type. In these cases the run is really preceded by bankruptcy. But it is also possible for a run to take place although

the bank's balance sheet is, to begin with, in a perfectly healthy condition. The depositors may become nervous for political reasons or on account of rumours that the reserves are inadequate or, as in America in 1933, there may be a run on perfectly sound banks because of the bankruptcy of unsound banks.

It is clear that in the main it is this second type of run, if any, which would follow the advent of a Socialist Government to power. Propaganda against the nationalization of the banks mainly takes the form of trying to terrify the depositor into believing that his money will be confiscated. The winning of an election in the face of this propaganda would nevertheless still leave a substantial number of persons uncertain about the consequences. It is necessary therefore to consider carefully the steps required to deal with any panic of this kind, should it happen to arise.

The first question to be considered is the destination of the funds withdrawn. It is clear that in so far as depositors choose to buy securities rather than leave their money in the banks, there will simply follow an increase in the velocity of bank deposits and a boom in the security markets. For this the Government will be duly grateful. It would in itself very probably restore confidence in general, including confidence in the banks, and so long as the boom remained within moderate limits there would be no reason for interference at all. Far less satisfactory would be the attempt to buy foreign currencies, the consequences of which have already been discussed in detail. But these types of run—and we must group also with the purchase of securities or foreign exchange the third possibility of a purchase of commodities—have one thing to be said for them. They would not create a *banking* crisis. For the original depositors would simply hand over their claims on the banks to others. Even if these others were anxious to get rid of them as quickly as possible, the total of bank deposits would still be left

unchanged. There would be no demand for actual repayment from the banks, but simply an increased turnover of bank payments.

Of quite a different order is a run on the banks in which the depositors are claiming from the bank the repayment of the debt due to them in legal tender. This run will have no direct effect on the foreign exchange or security markets. But it will create a banking crisis. It will also call for definite action by the Government.

At the present moment the deposits of the "big five" Joint Stock banks amount to some £2000 million. Not all of these deposits represent a real liability. For they include loans granted but not used which could in fact be immediately recalled. Nevertheless, the actual liability to hand over cash would not fall very far short of the figure given.

Against this liability the banks hold, in the form of cash or the right, through an account at the Bank of England, to secure cash, only about £200 million. The remainder of their assets are of a much less liquid character. If faced with a run, the banks could, theoretically, reduce their liabilities by selling their assets. They could sell their investments and bills and call in all loans and overdrafts. The depositors would buy these assets from them and exhaust their claims to cash repayment in this fashion. In practice, however, this would be utterly impossible. For, in the first place, the forced selling of the assets would lower their value so much that the total realizable would fall far short of the liabilities, and the banks would become bankrupt. And, secondly, even if such selling were possible without huge losses, it would create such a terrific deflationary pressure that industry would be brought to a standstill. Every asset which was sold would be exchanged against deposits the deposits would then be cancelled, and therefore be no longer available for use in industry.\*

\* In so far as the deposits exchanged for securities were "Time" deposits, *i.e.* deposit accounts, the deflation would be less serious.



The repayment of overdrafts could be attempted only through the forced sale of vast stocks of commodities, and here again any bank money secured through such sales by those who had borrowed from the banks would automatically disappear from circulation directly it had been paid to the banks. To meet a bank run through violent liquidation would therefore be both inadequate and catastrophic.

Now, although the process could not continue for long, it is quite conceivable that the banks might at the outset try to meet their depositors in this way. They might, and probably would, call in their short-term loans and refuse all discounting facilities, even if they did not proceed to the sale of long-term securities. This alone would exercise such a severe deflationary influence, and lead to such a rise in short-term rates, that it is imperative that the Government should interfere to prevent it.

How, then, should the situation be tackled? There are three traditional methods, all of which have at different times been employed. First, it would be possible to declare a general moratorium, and to close the banks and other financial institutions for a few days in the hope that the panic would subside. This was the method adopted in 1914 at the outbreak of the War. Secondly, it would be possible to give a Government guarantee to all depositors. Since the banks would shortly be nationalized, there would be nothing in the least risky or unreasonable about this. Neither of these courses would, however, necessarily check the run. The closing of the banks would bring business to a standstill. They would have to be opened in any case to enable wages to be paid, and when they were re-opened the run might begin again. In the same way, since—so we have assumed—the panic was caused by the idea of bank nationalization, a guarantee by the Government might not exercise a sufficiently reassuring influence to stop all withdrawals. Such a guarantee, however, should be

given, and accompanied by a clear public declaration that there will be no confiscation.

There remains the third and, in these circumstances, far the most certain policy—to provide the depositors with cash. This offers practically no dangers and only slight administrative difficulties. It would very soon bring the run to an end. For it would become clear that the depositors were in no danger whatever of losing their deposits, and the inconvenience of storing paper money at home would soon lead to its repayment to the banks in exchange for the original deposits. It may be thought that the increase in the note circulation would be inflationary. Doubtless there would be the usual wild references to the German mark. The comparison is just as ridiculous and ignorant as it was in 1931, when the abandonment of the gold standard was threatened. The notes would be issued to replace the bank deposits. There would be no increase in the total amount of money. Those who used their deposits for saving would keep their notes locked up at home. They would suffer both an additional risk and loss of interest. Inflation would take place only if there was a flight not from the banks, but from the currency itself, so that the money withdrawn by depositors was immediately used by them to buy property and goods which, without the panic, would not have been bought. There is no reason whatever for anticipating this. If it did begin to take place, it would create an industrial boom analogous to the boom in the stock market which we have already indicated would follow a transfer direct from deposits to securities.

The depositors, then, must be provided with cash. But how can this be done? Clearly the Joint Stock banks alone will not be in a position to do this. For, as we have seen, they hold in cash or claims to cash only about one-tenth of their liabilities. Somehow or other, therefore, they will have to secure additional cash from the Bank of England.

The simplest way for the Bank to do this is for it to rediscount bills and grant loans on the security of investments direct to the Joint Stock banks. It is true that direct lending by the central to the Joint Stock banks is not usual in this country. But in these circumstances it would probably be unavoidable, if the panic was at all sudden. The Joint Stock banks would in effect be enabled to convert their less liquid assets into cash at the Bank of England, and would thus be certain of being able to meet all claims upon them.

In order to bring this about, one legislative change would be required—the suspension of the Fiduciary Laws.\* At present the total amount of non-gold backed notes which the Bank of England can issue is fixed at £275 million. This limit would have to be revised. The issue department would have to be in a position to issue further notes against securities, these securities would be transferred from the banking department in exchange for cash, and the demands of the Joint Stock banks and their depositors could thus be met. It is no exaggeration to say that if these steps were taken, the panic would be entirely over within a week or two, and the Government would emerge with a very considerably enhanced prestige. For the fact is that a run on the banks, so long proclaimed as a terrifying, catastrophic avalanche, calculated to overwhelm any Cabinet, is, of all financial difficulties, the easiest to overcome and the least dangerous to any Government which understands how to handle it.

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It is the first duty of a Socialist Government to master any tendencies to panic or dangerous monetary developments which result from its accession to power. But success in this field alone, vital and helpful though it may be, is of necessity largely negative in its results, and does not exhaust by any means the whole topic of

\* The Fiduciary Laws were, of course, suspended several times during the nineteenth century

financial policy. The importance of economic recovery during the transition period has already been emphasized. Measures of defence against panic must be followed by a positive expansionist programme. What form should this take?

The efficacy of monetary policy as a method of curing industrial depression is still a matter of controversy. But that at certain times the banking system as a whole has the power to stimulate industrial expansion can scarcely be questioned, even if, in its present form, it cannot always use that power. There is no doubt, for example, that the very moderate measure of recovery achieved by this country is due in the main to the abandonment of the gold standard and the subsequent policy of the Bank of England. This policy has been of the "orthodox" character of simply creating and maintaining low rates of interest through the instruments of bank rate and open-market policy. A Socialist Government should also use these instruments.

But although a low long-term rate is certainly essential in the earlier stages of recovery, its action is always very slow, and it may by itself be more or less ineffective. What is needed, after all, is not simply an increase in the funds available for secure investment, but an increase in the money in the hands of industrialists. The only purely financial method of bringing this about directly is through a control over the way in which the Joint Stock banks distribute their assets. So long as the Joint Stock banks are left to expand credit as they think fit, it is highly probable that the Bank of England's policy will produce not an industrial, but a Stock Exchange boom. This is certainly not true recovery, and may, with the existing levels of profits, lead to over-valuation and instability which reacts harmfully upon industry itself \*

\* While the deposits of the London Clearing Banks increased from £1676 million in March 1932 to £1923 million in March 1935, their investments rose from £282 million to £614 million, while

Now, the reason why the Joint Stock banks invest in the gilt-edged market at  $3\frac{1}{2}$  per cent. instead of lending to industry at 5 per cent. is because there are not enough "safe" industrial borrowers. The individual bank, concerned with the safety of its depositors' funds, is not prepared to lend unless its loan is very well secured. Bad borrowers, whose prospects do not appear sufficiently bright *in the present state of trade*, cannot therefore obtain accommodation. But of course—and this is the vital point—the reason why prospects do not seem bright enough is chiefly because industry is not borrowing money. There is a vicious circle. Because prospects are bad, money is not advanced to unsafe borrowers; because money is not advanced, industry remains depressed, because industry remains depressed, prospects remain bad. A borrower is unsafe from the point of view of the bank, because unsafe borrowers in general cannot borrow money. If for some reason all the banks lent to unsafe borrowers, most of them would become perfectly safe borrowers.

In order therefore that a monetary stimulus can be really applied to industry, it is necessary that the banks' advances as well as their investments should increase. But it is clearly impossible to secure this except by a concerted policy on the part of all the Joint Stock banks. It is doubtful whether, even if co-ordination could be secured, they would submit to dictation on such a vital matter as the liquidity of their assets, so long as they remained private institutions. The directors would doubtless argue—quite fallaciously—that their depositors' interests would be endangered \*

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advances fell from £902 million to £766 million. Thus the increased cash basis made available by the Bank of England has been used entirely for expanding credit in one direction—that of the Stock Exchange

\* Discussions on this matter are frequently most unreal. It is quite certain that no Government could possibly allow the depositors of a large bank to suffer on account of the bankruptcy of their bank. Their deposits would have to be guaranteed by the State, just as

Possibly some half-way arrangement by which the State guaranteed certain advances would be feasible. But there is no doubt that in the long run nationalization would provide a much simpler and more effective form of control.

The increase in, and the change in, the distribution of the Joint Stock banks' assets provides the most obvious and effective lever for securing industrial prosperity. It is clear that such a policy would be very greatly assisted if at the same time other countries were also pursuing expansionist programmes. If this could be guaranteed, then every attempt should be made to secure exchange stabilization also, once the first panic flight of capital had been dealt with. It would be unwise, however, to agree to more than an informal arrangement for stabilization. Only when the transition period was really and truly past and full control over all exchange transactions had been secured should a return to a fixed parity with gold be considered. In the event of other countries being opposed to expansion, no alternative would remain except to allow the exchange to depreciate slowly as and in so far as costs and prices in this country rose relatively to those elsewhere.

The prosperity programme should not consist entirely of monetary measures. The Government should make every effort to expand the demand for, as well as the supply of, credit. This should be done by the orthodox method of a public works programme, the encouraging of Government departments and local authorities to push on with construction and development work, and the much more liberal use of the Trade Facilities Act.

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they would be at the outset if the banking system was nationalized. Moreover, depositors are not merely holders of bank balances. They are also workers and citizens. Their bank balances are safe in any case. But their interests as workers and citizens are continually endangered by the present absence of a co-ordinated and planned banking policy.

Two less orthodox suggestions might well be adopted. It was suggested some years ago that subsidies might be given to employment out of the Unemployment Insurance Fund. The scheme, theoretically sound enough, would meet with insuperable difficulties if it was applied to private industries. These difficulties, however, do not arise in the case of socialized and semi-socialized concerns. Such concerns, which do not operate for profit, might well be granted a small subsidy for every additional man they were able to employ, the subsidy being financed out of the money not spent in keeping the workers while unemployed. Secondly, an extension of the schemes already operating on a very small scale for getting rid of surplus stocks of foodstuffs at very reduced prices should be possible. At present these schemes are financed out of taxation. But in view of the urgent need for increasing the quantity of money in active circulation there is really no reason why they should not be financed by borrowing.\*

There is every reason to believe that the adoption of all these measures, together with the increase in investment in socialized industries, would produce the desired revival of industry and thus secure for the Government the backing of the country during the period of transition.

The purpose of this essay has been to discuss economic and financial policy. It has been necessary to omit all reference to the institutional changes or the political tactics which may be needed in order to implement that policy. But certain conclusions emerge about the first of these two further questions. In order to deal with panic, in order to secure recovery, a Socialist Government must be able to insist that both the Bank

\* Another proposal recently put forward by Mr. Kaldor of the London School of Economics for granting exemptions from Income Tax to employers according to the size of their wage bills also merits careful consideration

of England and the Joint Stock banks take the action which the Government demands.

It will be argued that in effect public control over the Bank of England exists to-day. But legally this is not the case: if the governor and directors of the Bank of England choose to defy the Cabinet and ignore its wishes to-day, they are perfectly free to do so. The fact that they do not appear to do so may be explained as easily by the fact that the Cabinet does what they wish as by their powerlessness against the Cabinet. A Socialist Government could not possibly risk opposition from such a quarter. It will bear the responsibility for financial policy, and it must have the power to carry it out. Nationalization is therefore essential.

Whether the Joint Stock banks should be nationalized or not is a matter of greater controversy. Both in dealing with possible panic and also in the more positive aspects of its policy the Government must expect its wishes to be obeyed by the banks. Some believe that this would be possible through co-operation alone. Perhaps for a short time and during a crisis this would be so. In any case, owing to the lapse of time before the passing of a nationalization bill, a temporary half-way house is inevitable. But in time conflicts would almost certainly develop. The directors themselves would almost inevitably hold up what they disliked or thought dangerous and plead the safety of their deposits as excuse. Only clear-cut nationalization could avoid divided responsibility and administrative confusion. Quite apart from this, the moral case for the nationalization of the source of credit is overwhelmingly strong. It is ridiculous that the Government should be held up in its attempts to increase the effective monetary circulation because the new money has to be borrowed from private institutions, and the future taxpayer will therefore be burdened.

Many centuries ago the Crown took care to monopolize the coinage of new money. Recently it has been



laid down that all profits derived from the note issue should accrue to the Treasury. But neither coin nor notes are to-day the chief form of money. Bank credit has replaced them, and both the power of distributing and the profit of creating bank credit still rest with the private Joint Stock banks. It is high time that this power and this profit should be reserved for the community alone.

## XI

### SOCIALISM AND THE PROBLEM OF THE MIDDLE CLASSES

By ELLEN WILKINSON

ELLEN WILKINSON is a graduate of Manchester University. Practically the whole of her professional career has been spent in Trade Union service. She is now the National Organizer of the National Union of Distributive and Allied Workers. On various missions connected with the Socialist Movement she has travelled in India, Russia, Western Europe and America. For three years she was a member of the Manchester City Council, and was M.P. for Middlesbrough East 1924-31.



## XI

### SOCIALISM AND THE PROBLEM OF THE MIDDLE CLASSES

WHAT is left of the Socialist Movement in Europe will have to do some rapid and hard thinking if it is to survive . much more if it hopes to gain the power to introduce Socialism.

The pioneers of modern socialist thought seem to us to have lived in a simpler age. Then there were the triumphant big Capitalists who had just made a meal of the privileges of the old landlords. Facing them were the masses of workers, brought into existence by the demands of the factories, and beginning to get themselves organized into powerful unions. Between them were the middle classes, the professional men—who were often dependent on, and usually apologists for, the new Capitalists—the small or tenant farmer, and the small masters and tradesmen. These were the middle classes whom Marx prophesied were bound to disappear in the titanic struggle between big capital and massed workers. That was a tidy and comprehensible world, in which the victory for Socialism seemed to be just a matter of time.

In our chaotic and bewildered days we see a middle class extending instead of narrowing. Ruined and hammered, we have seen it realize its organizing powers as a class, until, with two revolutions to its credit in Germany and Italy, it turns, rather breathless, but for the time victorious, its feet firmly planted on the necks of Communists and Socialists alike, to face the revo-

lutionary proletariat of Russia. An unbiased observer, surveying the trends in Spain, in Poland, the Balkans, even France, might wonder whether the flowing tide in the "thirties" is not with Fascism rather than Communism, with the middle class rather than with the proletariat. Will the tide flow that way in Britain?

To understand the present position, it is necessary to glance at the development of the middle class in the past hundred years or so. With the turn of last century large-scale industry began to ruin the small producer, especially the artisan who could not hope to compete with power machinery. Some of these swung on to the Juggernaut and became Capitalists. Others were driven into poverty and joined the revolutionary movements of the day with all the fervour of men who have seen better times. Such men had a considerable influence in shaping the thought of the early Socialist Movement. They could see the masters' point of view. It is no accident that the craft unions adopted such mottoes as, "Defence not Defiance," "Be United and Industrious," nor that the calm acceptance of a world of classes breathes through the hymns sung in the popular Bethels of the time.—

"The rich man in his castle,  
The poor man at his gate,  
God made them, high or lowly,  
And ordered their estate"

The small producer and middle-man had a definite place in feudal society. They had, as a whole, neither conception of, nor desire for, a classless society. Their guilds had aimed at protecting their members in the rights and privileges of that state of life to which it had pleased the Lord to call them. So helpless were they before the onrush of machinery, so certainly was the whole type of life on which they depended passing away, that they seemed doomed to disappear.

Two factors have prevented this simple solution. Whether that means to postpone it or to change it is

being fought out in our own time. The small producer in agriculture has survived in a marvellous fashion. Brutally annihilated in Britain (to the worry of succeeding Conservative statesmen, faced with the problems of a landless proletariat forming over 70 per cent of the population), in Europe he increased in numbers and importance. In Germany the number of small farmers increased after 1880. The struggle in Russia between *kolkhoz* and *kulak* is not yet ended.

Nor have the independent artisans entirely disappeared. The products of the largest clothing factories cannot drive out the individual dressmaker or subdivided tailor; and that not only for expensive garments. The coming of the mass-produced car has given a livelihood to thousands of small garages with owner-craftsmen. The payment-by-installment system has enabled the quicker-witted to dodge the bugbear of the small man, the lack of capital. Many as are the failures, some have managed to keep a foothold.

The number of small middle-men, shopkeepers and men working on commission has increased enormously. They were essential to the distribution of the fast-increasing products of the new machine industry. The fact that the chain store and the co-operative store are now threatening them with the same competition that ruined the artisan of a century ago is one of the factors in the middle-class discontent of to-day that has found its expression in Fascism.

The professional sections of the old middle class have not only managed to survive the prophesied ruin, but have increased enormously in numbers and influence. The higher standard of health and hygiene affected not only those who could afford doctors, but also led to the invention of new ways of paying for medical assistance for the mass who could not afford it individually. The few "club-doctors" extended into the thousands working under various forms of State insurance and State welfare schemes in nearly all the European

countries. Compulsory education led to an enormous increase in the number of teachers, which in its turn called for the vast-circulation papers and an army of journalists and writers.

Lately, new elements have been added to the growing middle class. As the machines developed in complexity, doing more and more of the heavy work, a new type of machine-man has been needed. The development of loan capital and the complications of finance have brought into being a vast army of clerks. The State itself has been compelled to add to its function of keeping law and order an ever-increasing number of duties, creating a new type of civil servant.

Who, then, are the middle classes? So many and various are the elements added to the old groups which Marx knew, that unless the term is defined it becomes meaningless, and the understanding of the functions of the middle class in society confused. The name itself, of course, implies that the middle classes are in a "between status." In common usage this is meant vaguely to mean that they are somehow between the aristocracy—the "upper ten"—and the "common people." But vague as is that conception, it is not even approximately correct in a capitalist society.

Should a class be defined by its income, its social status and ideas, or by its place in production? To look only at income level produces confusion. A blast-furnaceman in full work gets a higher weekly income than some small shopkeepers or professional men. He does not by that become a middle-class man. At the other end of the scale, the big-fee doctor may have a title and an aristocratic wife, but he does not by that become a Capitalist.

The only really satisfactory method of defining a class is by its place in production. Marx's scientific method holds good throughout the changes in the structure of society. The Capitalists are the people who own the means of production. The proletariat is the class whose

only access to the means of production is by selling their labour power. The greater part of the income of the capitalist class is profit. The greater part of the income of the workers is their wages. The middle classes are between the two, but at each end of the scale they merge into the classes above and below them.

The difference between the workers and the middle classes is not rigid. In the imperialist countries the tribute from the colonies has produced a workers' aristocracy whose mode of life and general outlook are not so very different from the "lower" strata of the middle classes.

The middle classes generally have some capital. It may be in the form of investments, or a small shop, or it may be a degree or diploma certifying a long and expensive training at a university. The public school and university are regarded as an important factor in the accumulation of the "personal capital" of the middle class. Manners, accent and the right to wear a certain colour of tie give a man preference for certain positions. But whether his capital consists of manners or of investments, the important thing is that he cannot operate this capital independently of the capitalist class. The main income of the middle classes is derived, not from ownership, but from the work they do.

The newer middle class, brought into being by modern large-scale industry, has no ownership of the means of production, though the organization of industry falls increasingly into its hands. It is true that with the diffusion of legal ownership among so many thousands of shareholders, the upper strata of the middle class comes nearer to the capitalist class; but without owning any effective share in the business, a man may be the manager of a great works with a salary of thousands a year. He is by definition a member of the middle class, and is made to realize it when capital no longer needs him. Near the great works he manages may be a small



garage with a fitter and a couple of apprentices. If the worker-owner of that garage derives the larger portion of his income from the profit of the exploitation of the labour of his employees, then he is a Capitalist. Unless the definition of the classes is thus kept clear of either social status or income, and is concerned only with place in the scheme of production, it is impossible to keep the argument free from the endless confusion of the special case.

It is, of course, possible to lump all the middle classes together with the Capitalists, as enemies of the working class—to refuse to see any importance in their stratification; to welcome only, and somewhat grudgingly, those prepared to adapt themselves to the purely proletarian standpoint. If numbers alone are counted as important in the transition to Socialism, that would leave, in Britain, at least 75 per cent., probably nearer 80 per cent., as proletarian by definition. Could they not settle Capitalists and middle classes without seeking allies? The most effective answer to that argument is that in fact this has never happened. In Germany, where the workers got power, they felt they could not hold it without the assistance of other classes. The policy of the social democratic trade-union leaders was to conclude an alliance with the big Capitalists through which wages were kept at reasonable levels by the exploitation of the middle classes. The ruined middle class threw up a Hitler to express their grievances and lead the assault on the workers' organizations. In each of the fascist countries it has been the power of the middle classes which has prevented a workers' triumph, even when, as in Italy, the workers' leaders seem to hold all the aces. In Russia, it seemed at one moment as though the Social Revolutionary Party would lead the peasant farmers against the proletarian revolution. Lenin averted this danger by giving to this only important section of the middle class in Russia, the one thing they wanted—the land.

The idea of trying to win the middle classes for Socialism has rightly been regarded with suspicion by the workers because it has been generally assumed that this means watering down the socialist programme to a mild form of Liberalism. If one looks at the middle classes in the lump, with the snobbish social climbers in the foreground, then no amount of watering would avail. The social climber wants to be in the group to which those whom he regards as the "best people" belong. No propaganda can affect that aim. Only the shifting of power alters that allegiance. Apart from idealistic individuals, who do not affect the general argument, the only part of the middle classes who can be won for Socialism in its fighting stage are those who have definitely something to gain by it.

Revolutions are made only by rising classes. History shows no exception to that rule. In our day, the men of the new machines, and with them the organizers and technicians, the administrative workers—all those professional men whom the very extension of the proletariat itself has called into being—are rising classes. They are therefore essential to the new social revolution. They can be won for the planned State only if they can be induced to see that only under a socialist reconstruction of society can their machines and their organizing and professional ability be given full scope.

A mere "reformist" programme has nothing to offer these men. That is based on the idea of the share-out. In practice, it leaves capitalist ownership untouched, and tries to give more to the workers by such means as better relief to the unemployed and the various social services that mean higher local rates. The cost of such a programme falls heavily on the middle incomes, because the rich can live away in the low-rated areas. This sort of programme only looks "moderate" to the Capitalist whose power it leaves intact. It has nothing to offer the keen technician who wants a chance to show what his machines can do. Owing to social distinctions,

the workers assume that the technical and administrative staffs are necessarily the obedient servants of Capitalism. But the keener the technician the more dissatisfied he becomes with the capitalist system. He has to witness the deliberate waste of his best work in the interest of a policy based on profit and price. Inventions are held back and progress is deliberately delayed by entrenched high-price concerns. Technicians and organizers have had to see their life-work smashed and their careers terminated through no fault of their own, because some distant control has staked their work in a perilous market gamble.

The position has become so obviously absurd, the failure of competitive Capitalism to deliver the goods it produces so grotesque, that in all political propaganda, from whatever party, stress has to be laid on "planning." The younger Conservatives are issuing manifestoes urging their own order to plan before all is lost. The biggest Capitalists have been planning for some time, along the lines of restrictive monopolies. Their main problem is how to get a social basis for the lamentable results. The use of Fascism, so far, to the wary Capitalist, has been to provide this social basis. It has organized the middle classes to bludgeon the old *laissez-faire* individualists among the capitalist ranks, in the belief that they were doing something revolutionary. It has terrorized the workers and crippled their organizations to make them accept the "leadership" of the employers in national planning as an alternative to national ownership. Just at the moment when the failures of Capitalism might have thrown the more idealistic or the more impatient of the scientific middle class on to the side of the workers to try to put some end to the chaos, there appears a Mussolini, a Hitler, a Mosley—or, for that matter, a Major Douglas—to make their various appeals to the middle classes. There is the same firm basis to all the variety—they leave the present capitalist ownership of the means of production undisturbed.

But Fascism is proving a tricky weapon for even the Biggest Business to handle. In Britain the tendency at present is to concentrate on types of planning more or less within the existing British tradition. For that reason it is worth while contrasting the appeals to the middle classes that have been issued from three entirely different standpoints. "Fourteen Supporters of the National Government" have issued a manifesto called *Planning for Employment*. The Labour Party has published a pamphlet, *The Position of the Middle-class Worker in the Transition to Socialism*. The resolutions of the Communist Party on the subject are contained in their recent manifesto, *For Soviet Britain*. Each of these publications starts from the point of "poverty in the midst of plenty." It is not the purpose of this particular essay to criticize the plans themselves, but only to consider their possible appeal to the middle classes in general, and the technical and administrative workers in particular.

The Fourteen say frankly that "their desire is to preserve the unmistakable trend in certain fields towards individualization of effort," and while planning for efficiency, yet "avoid the rigidity of socialist planning." Their scheme is the trustification of the great industries, whether by the industry itself or through the Board of Trade. Approved plans must provide for the consultation of those employed in the industry on all questions relating to hours, wages and conditions of labour and "other questions relating to industry in general." Ownership with management is left facing labour, which is to be "consulted." It is the familiar line-up, plus efficiency. Because it proceeds from the known to the unknown, from present ownership to planning with Government supervision, this type of scheme has naturally a great attraction for those who have no deep quarrel with the present system except its inefficiency and scandalous wastefulness. "Remove these obvious defects, and thus prevent outsiders indulging in the sort

of racketeering that gets the system a bad name," is a clever appeal to the middle class. It keeps them where at heart most of them want to be, on the side of the "best" people, who convince them that they are really trying to do their best. The only snag is that while private ownership remains, the problem of the machine age cannot be solved except in so wasteful a fashion as may force the technical men, in desperation, to join with the workers to "get something done about it."

The Labour Party pamphlet, in stating the desire for organized abundance to replace the present poverty amid plenty, appeals to the middle classes, in general, to support the public ownership of the means of producing the necessary wealth. In its appeal to the technical and professional men in particular, it assumes that the income-level is their predominant interest. "To those occupied in the trained and well-paid white-collared professions it will mean the stabilizing of their incomes at their present level." The appeal to the security of employment in public concerns, which would then comprise all the main industries of the country, is very effective for the mass of clerks and administrative workers. Having been conditioned by modern industry to regard security as the greatest boon, these workers will willingly sacrifice all possibilities of adventure for its sake. The prospect of a pension has secured incredible loyalty over long years at miserable rates of pay from armies of the clerical class. But under any system of socialist planning, with the elimination of wasteful competition, this class is bound to be considerably reduced in numbers. Except for votes in the struggle to gain power, they are the least important section of the middle class.

The most socially valuable section Socialists must wish to attract are the inventors, the organizers, the technicians who are indispensable to any planning of the machine age. To these men the appeal of security in an enormous centralized concern is very limited.

Particularly do those conscious of brains and technical skill above the average emphatically not want to be cogs in a machine, which they fear may stifle initiative even more than does the present system. Capitalism, they are beginning to realize, strangles invention and ruins industry in the interest of the financial game. Its attraction is just that amount of space still left between the cracks that gives to the man of spirit and daring the feeling that he might draw a prize. To this daring type, which is more socially valuable to socialist planning than it is to declining Capitalism, schemes of the type of the London Passenger Transport Board make little appeal.

Much socialist propaganda, I believe, makes a mistake in visualizing society in terms of enormous units that some supermen (unnamed) are going to plan, and which will give everyone security without their doing much about it for themselves. The anonymous superman has usually been found by inviting whatever Capitalist is already doing the job to go on doing it, at a salary instead of a profit. Or he may be induced to take the chairmanship of a commission that is to report as to how the industry might be reorganized. There is much annoyance in high political quarters when the workers fail to see much difference between a Lord Ashfield or a Lord Weir doing for the State what he formerly did for his private shareholders. Indeed, the workers are told, it is to be counted for righteousness that these industrial chiefs do keep so carefully to their former lines of policy.

The relative failure of the Labour Party to attract the enthusiastic support of just those technical men who have most to gain by socialist reorganization is, I am convinced, due to this "carry-on" complex. What seems to the politician to be the line of least resistance, in practice comes up against a stiff psychological resistance in the men he wants to win. The technician wants to know how he will be used. Will he have a chance to do some planning himself, to show what his machines can

do? Or, as he fears, will he be ground between a very conservative bureaucracy appointed on traditional lines by a Labour Government anxious to keep the show going, and the workers' unions, strong because they are the pillars on which a Labour Government, naturally and rightly, must base its power. And there is nothing in such schemes to bring him into contact with the unions, or pave the way for closer understanding. The usual Labour proposals fail to appeal to the technician, not because they are extreme, but because they seem so conventional, so very like what is happening at present.

The Communist Party, with a new-found interest in the middle classes that might indicate that the *Comintern* has learnt as much from the resistance of the *kulaks* as from the emergence of a Hitler at the head of the ruined middle classes of Germany, meets the problem with a concession "Nor will this true democracy," they assert in the resolution of the 13th Plenum, "be confined to the industrial workers alone. Those substantial portions of the populations, such as the technical and professional workers, whose interests are to-day being sacrificed by the present dictatorial rule of the great Capitalists, will play their part in the Workers' Councils." On the next page, however, it is made clear that only those of the middle classes (significantly referred to as "the small men") who are prepared to be completely docile will have any chance of survival in the society the Communist Party envisages. "The British working class will act towards the small men as their organizer and guide on the path that leads to a classless society"—which might not sound too bad if the pamphlet had not made it abundantly clear that when it speaks of the working class as leaders, the term is understood to be synonymous with the Communist Party! The technician who has seen how his class has been treated in Russia will be attracted by the proposal only if, for entirely different reasons, he is already a convinced Communist. The practical results of large-scale plan-

ning in Stalin's Russia will do more to interest technicians than the belated appeals of Communist parties who have so convincingly mismanaged their own affairs in the rest of Europe.

The problem for the Socialist, therefore, is not simply a question, "How can the middle classes be persuaded to vote for the Labour Party as we now know it?" *En masse* it is obvious that they cannot. The economic interests of the various sections of that class are too divergent. The real problem for the Socialist who is thinking in terms of power—power to introduce Socialism, not merely to be the political figure-head of a capitalist Britain—is how to detach that section of the middle class who will be badly needed in the transition to Socialism from those whose class interest it is to maintain the present system.

The obvious line of approach, surely, is to get the technicians and the manual workers interested together in their common work, at the point where it is supremely important that they should co-operate and learn to understand each other's point of view. Just as the real strength of the Labour Movement has come, not from voters or political programmes, but from the fact that it is built on the Trade Unions, on the workers organized at their job; so the new wave of socialist thought which is to organize the actual transition from Capitalism to Socialism must arise out of the experience of the workers, manual, technical and administrative, deliberately and carefully encouraged to meet together and discuss problems on the basis of coming power, on the lines of "taking over." Only thus can the capitalist class be shown as the superfluous parasites on the economic system that they have now in fact become, only thus can their ideological control be broken.

At each crisis since the War, in the industrial areas of the West, when the workers' parties have had the possibility of power in their hands they have been paralysed by their doubt as to whether they could really



run the show, and so far they have decided that they could not. But if the workers and technicians had got used to the idea of working together, had discussed their difficulties *vis-à-vis* each other as well as against the Capitalist, the task of taking over industry and running it would seem much simpler. Not that it is easy to establish contact between the different grades in the same plant or factory. The workers are suspicious of those they regard as "bosses' men." The technical men, unless blessed with the common touch, feel superior or shy, or, still worse, that they must maintain their status in front of the men they have to control. But sheer economic necessity is grinding down some of these barriers. Others are lessened by the modern education that year by year lessens the minor social differences as the B.B.C. irons out our accents (alas!). Nowadays many of the technicians come from the better-off strata of the working class, and feel their kinship with their own, while labour-saving devices tend more and more to cut out the very dirty work that branded the manual worker as an inferior being.

Obviously a good many cherished and hoary traditions would be questioned if this type of fraternization really began to work. Some of the absurdities of the older type of craft unions would dissolve by understanding. The habit of being on the defensive against the machine would yield to the desire to give the machine a chance. This would soon come sharply up against the restricting walls of the capitalist profit and price system. Reality would be introduced into much Labour propaganda that at present is too generalized to be convincing.

Plans for socializing industry can be made at the desks of lecturers in economics, but without a basis in the factories they remain on paper. The temporary Minister in a temporary Labour Government is too busy to look at them, even if their existence is brought to his harassed notice. The experience of two Labour Govern-

ments has soaked into the consciousness of the Party that vital economic changes are not likely to be made this way. But by keeping the struggle for Parliament in its right place—as a struggle for the possession of the cash-register and the bludgeon—while forging in the factories the contacts and the experience of the means by which economic power can actually be transferred, then the fight becomes one for real power. From this the technician, the organizer, the inventor, cannot afford to be left out. On this basis of reality, the worth-while middle class can be won for socialist reconstruction—but these things cannot be left to chance. Only by a revolution in its methods of approach, only by tackling the problems in terms of real power, not of the political shadow of power, can the Socialist Movement survive, and hope to introduce Socialism.



## XII

### SOCIALISM AND THE PROBLEM OF NATIONALISM

By JOHN PARKER

JOHN PARKER was born in 1906 and was educated at Marlborough and St John's College, Oxford. After leaving the university he spent three years on the staff of the Social Survey of Merseyside. This exhaustive study of social and industrial conditions in that area was carried out by Liverpool University. He also assisted in the survey of depressed areas which was put in hand by the second Labour Government.

At Oxford John Parker was first secretary and then chairman of the University Labour Club. In 1931 he contested the Holland-with-Boston division of Lincolnshire. He is now the prospective Labour candidate for Romford.

For the last two years he has been General Secretary of the New Fabian Research Bureau, a body which is rapidly coming to the fore as a focus for that independent research within the Socialist Movement which is necessary if the Party is to be fitted for power.



## XII

### SOCIALISM AND THE PROBLEM OF NATIONALISM

§ 1. *Growth of Economic Nationalism and Fascism.*—The Great War and the succeeding Peace engendered that drift towards intense nationalism which has produced economic nationalism to a greater or lesser degree in all, and Fascism in many, countries throughout the world. The full blast of the depression which affected all the principal industrial countries in 1929-32, and still afflicts many, was necessary, however, to bring about that amazing increase in the strength of these forces which could not have been foreseen a decade ago. Whether the later stage of the depression will bring about a reaction in some countries such as Italy, it is as yet too early to tell. At the moment these two aspects of modern nationalism have wellnigh strangled international trade, and crushed the Socialist and Communist movements over the greater part of Central and South-eastern Europe. The rival Internationals, which in the early twenties fought one another for the support of post-War youth, appear to many of the succeeding generation as chronic invalids awaiting a kindly death-blow. The danger of war between Capitalist Powers, which ten years ago seemed remote, has become an ugly reality. Re-armament on an ever-increasing scale and at a rapidly growing pace is a natural sequel to the fear of war.

§ 2. *Effects on Russian Policy.*—The changed position in Europe in particular, and the world in general, has had

repercussions both on Russian foreign policy and on socialist opinion in the Western countries where democratic government still survives. Fearing German and Japanese aggression, and preoccupied with internal reconstruction, Russia has joined the League of Nations in an attempt to co-operate with other countries desiring peace. She has thus persuaded the majority of Western Socialists once again to accept the League, whose prestige had been sadly shaken by the Manchurian failure and the resignation of Germany, as the best instrument, despite all its drawbacks, which can be used to maintain the peace.

The realization that there is no immediate possibility of a world revolution, and the fact that Planning in the U.S.S.R. has of necessity been on a national scale, have not been without their effects on Russian economic policy. Fears for the safety of the State have led Soviet planners to aim at self-sufficiency as keenly as the rulers of Italy and Germany. Having given up their immediate hopes of creating a world Socialist State through revolution, they have no wish to create an International Economic Body through the machinery of the League or by any other means which could interfere with the internal development of their Socialist Plan. Any serious attempt to build up an economic international policy at the present juncture is thus regarded not only as a vain delusion, but as undesirable in an economic nationalist and primarily capitalist world.

§ 3. *Effects on Socialist Opinion in Great Britain.*—A similar point of view is being increasingly accepted by Socialists in countries where the free expression of opinion still survives. This is particularly noticeable in Great Britain since the advent of Protection. There certain of the older members of the Co-operative Movement have remained almost alone in their advocacy of Free Trade. The growth of Fascism has forced those interested in the international aspects of Socialism to give up any hope of seeing an immediate or even

gradual advance to Socialism simultaneously in all the principal industrial countries. They have therefore tended to concentrate their thought on the creation of a British Socialist State, in the hope that, once established, its example would have a profound effect on other countries. A decade ago British Socialists interested in colonial questions frequently advocated the opening of the Crown Colonies to the trade of all nations and the transference of their administration to the League of Nations. The realization that no other colonial Power is likely to follow such a lead in the present wave of economic nationalism has persuaded many people to change their opinions. This change has sometimes gone so far as to lead to the making of plans for socializing the British Colonial Empire, and even for adopting a modified form of Empire Free Trade. A defence for this new policy is found in the obvious fact that the British Empire (or so much of it as could be influenced from Westminster) would form a far more suitable economic unit for a socialist experiment within a predominantly capitalist world than an insular Great Britain. Whilst it would be a mistake to say that this policy in all its implications has been widely accepted in the British Labour Party, a strong movement in this direction is undoubtedly in progress. This has been helped by the realization in many Labour circles that there is a strong nationalist feeling in large sections of the working classes to which an electoral appeal might be made. •

There is much to be said for concentration on the creation of a British Socialist State. At a time when a general international advance to Socialism has been held up, realism dictates that the best use should be made of the limited fields where progress is still possible. Advance in the greater part of the British Empire depends upon the winning of political power in Great Britain; the building up of a World Socialist State must await successful socialist revolutions in many States



where as yet they show no sign of taking place. The National Government's policy of economic nationalism has definitely made easier the creation of a Socialist State in Great Britain and in the Empire. Trade Agreements and greater self-sufficiency have made it much more difficult for other countries to injure Great Britain during a transitional stage to Socialism than would have been the case before 1931. The Dominions and foreign countries within the sterling area are too closely linked with this country commercially for them to be anxious to break existing treaties and sever channels of trade which are mutually advantageous merely because there has been a change of Government in Great Britain. The sterling area could form a large unit, if fenced off from outside interference, in which experiments in economic internationalism could be made. With the assistance of the Scandinavian and other sympathetic Governments, a British Labour Government could ensure that these experiments were of a socialist character. At an early stage the co-operation of Russia and other friendly Powers could probably be obtained. To make the fillip in a socialist direction as strong as possible, a British Labour Government would have a strong case for treating the Empire (as far as it is legally able to do so) as a single economic entity, and for pursuing a vigorous policy of socialization within its boundaries.

The existence of widely different standards of life in the world has proved one of the chief obstacles to the growth of economic internationalism. This might be one of many problems which British Socialists could attempt to solve within the territories they themselves directly controlled and those ruled by sympathetic States.

§ 4. *Dangers of British "National" Socialism.*—Such a policy, with all its implications, has obvious dangers. A British Socialist State, and still more a British Socialist Empire, might easily develop some of the obnoxious features of National Socialism in Germany. Once

such a state was established, the ideal of the world state might be forgotten by those running the new régime. Struggles for foreign markets might continue, and preserve the danger of war, and Great Britain might seek to exploit the backward parts of the world, especially those within the Empire.

The dangers of such a nationalist policy are increased by the latent nationalism which is inherent in much of the accepted programme of the Labour Party, and which may become operative if care is not taken to appoint persons lacking in national bias to executive positions in socialized industries. At the present time, if a new product or process is put on the market in one of the big industrial countries and proves a success, then the rights for its exploitation are either granted on terms to a native firm, or else a branch company of the original firm is established in other industrial countries within a few years. In this way the consumer is able to benefit from the latest industrial advances. There is a danger that when an industry has been socialized, those running the new national monopoly would not pay sufficient attention to improvements made abroad, especially if they are likely to make much of the present plant of the industry obsolete. This difficulty might be accentuated if private firms abroad, operating in an industry which had been socialized in this country, raised obstacles in connection with the use of their processes by a British socialized industry.

§ 5. *The "Geneva" Approach to the World Economic State* — A smaller school of thought, realizing the dangers of a "national" socialist economic policy, thinks that a British Socialist Government should use the League machinery as a basis for its economic foreign policy, and should attempt to build up an international control of industry, raw materials, labour, etc. This is to be done in co-operation with other great Powers, socialist, capitalist, and even fascist

The advocates of this policy are not very clear as to

how far they can go or how it is to be done. Nor are they very optimistic of great success. It may be possible to secure beneficial international agreements for the regulation of certain labour conditions or for the production of certain raw materials, but progress in this connection is bound to be slow, and neither a British Socialist Government, the Soviet Government, nor a Nazi Government is going to assist in creating any international machinery which will interfere to any considerable extent with their internal policy.

§ 6. *No Clear-cut Antagonism between the Two Policies.*—To realists there is no clear-cut antagonism between the two avenues of approach towards the distant world commonwealth. A British Labour Government should obviously make the best use possible of the League machinery to promote co-operation for both economic and political ends; it would be foolish if it broke off trade relations with all States which were not either socialist or democratic just because they were not socialist or democratic. An examination of the present political position, however, makes it clear that far more rapid progress could be made in the limited sphere in which such a Government would have complete or partial political and economic power than in the world as a whole. Provided British Socialists do not forget their ideal of a world commonwealth, there seems no reason why they should not begin to build a world state both from a national and an international basis. At a time when Socialism is being driven to adopt a national basis for much of its work, it is well, however, to take warning, and remember that nineteenth-century Liberalism was forced along the same channels, and was not able to recover its international ideals.

The rise of Fascism has forced many socialist internationalists to turn their attention away from their ultimate ideal of a world state and to concentrate their minds on the immediate question of preventing war and the necessary machinery for doing this. Political rather

than economic issues have thus taken the front rank. This has not been without its advantages. Should the preoccupation of internationalists with questions of collective security, arbitration and treaty revision succeed in creating effective machinery for guaranteeing the peace, this machinery would help to bring about a change of régime within the fascist States by drawing their bellicose claws, and would prove an effective example for building up economic international machinery when the occasion to do so occurs



### XIII

## SOCIALISM AND COLONIAL POLICY

By LEONARD BARNES

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### XIII

#### SOCIALISM AND COLONIAL POLICY

THE Socialist Movement, in the organized forms in which it exists in Britain to-day, is a child, or rather a family, of mixed parentage. And the distinct and not always fully harmonized strains in its pedigree are conspicuous in its attitude to the imperial question.

The earliest incursions of Labour into the parliamentary field were made in close alliance with the Liberal Party of the late Gladstonian era. A legacy from this association has been a strong anti-imperialist bias. Labour has always felt deep repugnance to all annexationist aims, it has always suspected colonizing enterprise to be a shady form of business, open to grave abuses even in honest hands, and in unscrupulous ones capable of shocking atrocities, it has therefore taken little either of pride or comfort in Britain's imperial heritage. This natural distaste for getting tarred with the brush of Empire has been reinforced by the difficulty which a stay-at-home working class cannot but find in bringing vividly before its imagination the concrete facts of the Empire situation. For our governing classes it is not hard to be continuously aware of the Empire either as a fascinatingly interesting conglomeration of infinitely diverse peoples, or as a factor of importance in the daily political and economic life of the country. Such an outlook is fostered in them both by their common educational experience and because for generations many of their families have sent out at least one member on responsible service overseas as soldier, sailor,



administrator, or business man. But to the workers, hobbled by the urgent constraint of wresting a bare living from a distracted society and denied the pleasurable instruction of travel and adventure in foreign parts, the Empire has inevitably seemed something rather remote and unreal, something of much greater concern to their betters than to themselves—a kind of distant and glorified pheasant-shoot. Nor have they grasped—how should they?—what manner of life is led by folk so different from themselves as the peasant masses of India or the witchcraft-ridden African tribesmen.

But factors such as these, though they still colour Labour's outlook, have not been decisive in it, and for some years past have been of diminishing importance. In 1900 the foundation stone of the Labour Party was laid by the alliance between the Trade Unions and the collectivist elements enrolled under the banners of Hyndman, Webb, Morris, and Keir Hardie. Since that time the permeation of the Labour Movement by ideas properly called socialist has steadily progressed. It is still far from complete, but it has gone far enough to carry at any rate an intellectual assent to the thesis of the essential unity of interest of all workers throughout the world.

British Labour is now generally conscious both of the dangers of competition from low-paid unorganized labour abroad and of the fact that some of the most active competition of the kind is at work within the borders of the Empire. This consciousness outweighs the tendency towards abstentionism in imperial affairs implied in the liberal inheritance. And it is supported by the whole influence of the great humanitarian tradition—a tradition of which Labour, to-day perhaps more than any other party in the State, is the eager and watchful guardian.

Socialism recognizes that its creed, from whatever angle it may be viewed, stands or falls by the sincerity

of its adherence to a genuine internationalism. Its approach to the imperial question is thus governed primarily by the conviction that we can no longer pretend to organize the Empire without reference to a world community. It seeks to have done once for all both with the conception of colonies as the property of a possessing power and with the vested interest in racial domination which naturally springs from such a conception. It is keenly alive to the risk of ultimate war involved in the present unequal apportionment of colonial territories, and in the fact that the large possessing Powers, including Britain, are striving more and more to fence off their colonies as areas of exclusive economic privilege for their own nationals. British policy in this respect since the Ottawa Conference of 1932 has been watched with grave misgiving, both for its plain conflict with the principle of trusteeship for backward races (a principle which Labour fully accepts) and for its intensification of the disorders of economic nationalism throughout the world.\*

For these reasons, socialist opinion is searching for means by which the whole colonial Empire might be brought under international control for purposes alike of defence, trade, capital investment, and administrative surveillance. A practical step in this direction was taken in 1933, when the Labour Party issued a policy report dealing with the colonies and giving reasons why "it seems both right and logical that the mandate system should be accepted for all colonies inhabited mainly by peoples of primitive culture. The Party, when it is in power, will make such a declaration and will accept the scrutiny of the Mandates Commission in such cases, if it can be arranged."

Not all Socialists, it is true, are agreed that the Mandates Commission, or indeed any organ of the League of Nations as at present constituted, is likely to

\* For a detailed account of this policy see the *Round Table*, Sept 1934.

prove a suitable instrument of the policy of international control here intended. There are many who feel that such a policy cannot be carried out in a manner calculated to benefit colonial countries and to help forward the establishment of a world community, unless it is undertaken by an authority which itself explicitly assents to the fundamental assumptions of the socialist position. For the Mandates Commission of the League they would therefore substitute some corresponding institution to be set up under the aegis of that International Socialist Federation which they hope may become a practical possibility upon the advent of a Socialist Government in Britain. But whatever may be the merits of this particular controversy, it is at least clear that for British Socialism the imperial question is by no means simply one of the internal relations of the Commonwealth, but one whose bearings on foreign policy are of crucial importance. To take an obvious illustration. Proposals for international security and disarmament will make little headway so long as Britain's contribution to the debate remains in effect an invitation to "unsated" Powers to help her defend an Empire from whose economic advantages she is at pains to exclude them. The whole peace question might be transformed by a British Government which was prepared to offer equal opportunities in trade, exchange of services, and capital investment throughout the dependent Empire to all countries which on their side would agree (a) to work the trusteeship principle, (b) to sign a disarmament convention, and (c) to enter into a system of co-operative defence. On some such terms the German demand for colonial equality might be fairly met without jeopardizing the interests of any backward peoples and without cynically treating colonial territories as mere counters in the diplomatic game.

So far, then, as concerns the Empire's status in the international world, the continuous aim of Socialism is to divest it of its present exclusive character and to

mould it into forms compatible with the Co-operative World Commonwealth of our ultimate ideal. Implicit in this aim is a distinctive conception of the proper relations between Britain and the Dominions and between Britain and the non-self-governing parts of the Empire.

On its purely political side the British Commonwealth, consisting of Britain and the Dominions, is regarded as a useful experiment in building up an international association on a basis of freedom and equality. Socialism welcomes the recent developments in the notion of Dominion status. It is anxious to interpret that status in the widest sense, and to make it real where it is not yet fully so, *e.g.* in the economic sphere, in which the financial dominance of Britain imposes certain limitations on the sovereignty of the Dominions over their own affairs. It would extend Dominion status by progressive stages to territories which do not yet enjoy it, such as India, Ceylon, and the West Indies. It would regulate the rate of succession of such stages in accordance with the strength and the coherence of the desire of the local inhabitants for constitutional advance. It sees no reason why the association of autonomous nations known as the British Commonwealth should not be thrown open to peoples not now under the Crown, if they should wish to join it. It sees no reason why the political life of even the present associates should be confined within constitutional forms which are generally accepted as essential to-day. It considers that far too much time has already been expended on barren constitutional debate, and that if, for example, the Irish Free State or the Union of South Africa prefers self-government according to a republican pattern, the peoples concerned should by all means be free to have it so, as associated republics, without the severance of any legendary painter from either end.

On the economic side, it is clear that the governing factor is the debtor-creditor relation. British investors

have lent to the Dominions, particularly Australia and New Zealand, vast sums of money, so much so that some Dominions have reached a condition in which, as the *Economist* puts it, they cannot without continual loans "pay interest on their past borrowings, they cannot continue the process of national development which could alone justify those past borrowings, they cannot in some cases even maintain their imports of consumption goods at the desirable level" In a word, the burden of their debt is bearable only in boom conditions. They are bound to the City of London by links remarkably strong and taut. This is the position to which Mr H. N. Brailsford points when he tersely observes that Empire is Debt. The Commonwealth is thus divided in such a way that one member (Britain) must always import more than it exports, while the other members (the Dominions) must always export more than they import. This fact makes tariff manipulation such as imperial preference an inappropriate basis for Empire economic policy. Socialism therefore will take a thorough survey of the debt position as the necessary starting-point of all endeavours to expand the volume of inter-Empire trade. The objective will be such a scaling-down of the tribute burden of the Dominions as may secure the greatest possible increase in the direct consuming power of their populations.

It is, of course, fully realized that the whole question of increased trade with the Dominions and of renewed exports of capital to them depends in the last resort on the agricultural policy of Britain. The most urgent economic need of the day for Britain is an expansion of the home market. The one obvious means to it seems, in modern conditions, to be an increase in home-produced food supplies, involving a corresponding decrease in imports. But it is mainly of food supplies that the Dominions are eager to increase their exports, and, with the world market for such supplies already glutted, they are compelled to pin their hopes to the

British market, and the British market almost alone. This divergence of interest between Britain and the Dominions is the central problem in the economic relations of the Commonwealth. The Ottawa Conference of 1932, so far from solving it, served rather to accentuate it. Socialism will have to tackle it boldly, by fixing a definite and stable balance within the British market of the claims of home, Empire, and foreign agricultural producers by reference to the principle of comparative real costs, and maintaining it in operation through centralized control of all imports.

One further point deserves mention before leaving the Dominions and passing on to consider the dependent Empire. It is a feature of the Commonwealth that singularly little effort has been made to secure the acceptance of common standards of what may be called public official behaviour throughout its membership. There are certain broad issues, such as slavery and the colour question, on which a wide diversity of governmental attitude and conduct exists in different parts of the Commonwealth. Matters arising out of such issues do, it is true, come up for inconclusive and inoperative discussion at imperial conferences from time to time. But such attempts as have been made to give direction to public opinion have in the main originated at Geneva, and not within the Commonwealth itself. Nor has the Commonwealth been remarkable for promptitude in supporting the efforts of the League. The Forced Labour Convention, to take a single example, has not been ratified by South Africa, New Zealand, or Canada.

In matters of this kind there is a good case for applying the Convention method inside the Commonwealth, and in regard to the all-important colour question and the general treatment of non-Europeans, Socialism would certainly endeavour to reach agreement with the Dominions on a Convention defining, applying, and extending the principles on which the mandates, for instance, are based. The general bearing of the

Commonwealth towards the problem of colour conflict is, and has long been, so dangerous and irresponsible that no British Government which valued good relations with Asia and Africa at their true inestimable worth could afford to postpone giving the call for moral effort which is needed, if the ultimate adjustment is to be reached along the only path possible—the willingness of the white races to deal with the coloured races on a footing of equality.

Important as it will be to work out these fresh lines of approach to the problems of the relations between Britain and the Dominions, the main work of socialist imperial policy will lie in the vast field represented by India, the colonies, protectorates, and mandated territories. And here the first task will be to awaken public opinion in this country to the magnitude of the issues involved. British colonial policy, except on one or two outstanding questions such as the abolition of the slave trade and of chattel slavery, has always suffered from being formulated by a handful of generally anonymous "experts" who have derived their authority from first-hand acquaintance with colonial affairs or from their association with vested interests. The value of such knowledge is not questioned. As counsel appealing to a wide public well grounded in the essentials, it is indispensable; but as back-stairs influence unchecked by any pressure of disinterested opinion, yet often decisive of Government attitudes, it can be both unwholesome and dangerous.

Colonial policy is the only department of public life which normally finds itself in this peculiar case. It is the rarest thing in British politics for a colonial question to have any serious effect on the result of a general election.

Socialism will need to combat both this popular indifference and the more deliberate indifference often cultivated by its own supporters. Lenin once observed that the very notion of a socialist colonial policy is an

utter confusion; and this remark, which is true enough in the context which Lenin had in mind, has too often been interpreted inside the Labour Movement as meaning that Socialism has no need to bother about imperial affairs or to strive to understand them. No idea could be more woefully false. Lenin was obviously saying something which much needed to be said, when he drove home the point that, for one group of European workers on a high standard of living to exploit another group of non-European workers on a low standard, is rank apostasy from every principle of honest Socialism.

It is indeed quite possible for certain privileged groups of workers to take over the forms of capitalist exploitation and to convert them to their own ends at the expense of unprivileged groups, either in the same country or overseas. This is exactly what the South African Labour Party, for instance, has in fact done *vis-à-vis* the black South African proletariat, and it is inevitably accompanied by the most unpleasant of phenomena—the colonial Jingoism of a Labour aristocracy.

The British Labour Movement is undoubtedly exposed *vis-à-vis* the coloured workers of the colonies to the same temptations which the South African Labour Party has proved unable to resist. That is one danger, and it has to be vigilantly guarded against. But this does not mean that the proper attitude for British Socialism to adopt in face of the colonial problem is one of mild inactivity and apathetic deprecation. On the contrary, the need for a clear-headed and well-defined socialist colonial policy is real and urgent. It will have to be based on two things—first, the vital inter-connection between Socialism at home and socialist reorganization at the colonial end; and second, an effective international and inter-racial workers' solidarity.

As regards the former, modern industry needs the produce of the tropics, yet national rivalries to control the sources of that produce must, as things stand at present, lead to war. Hence it is inevitable that the



peaceful execution of socialist reconstruction in Europe should depend on the concurrent execution of a policy equally revolutionary in the tropical dependencies. As regards the latter, many Socialists, Marx not excepted, have been apt to underrate the strength of national and racial feeling. As Bertrand Russell has observed, even in Europe, proletarians on the whole still hate foreigners more than they hate employers. And, even if white proletarians could be induced to ignore national boundaries, there still remains the problem of getting them to feel genuine solidarity with competing proletarians of coloured races. Yet no stable victory over Capitalism can be achieved until they do this, and until coloured proletarians reciprocate. Hence the need for British Socialism to foster the development of workers' movements in the colonies and to maintain the closest and most direct ties with them.

The colonies under the present system constitute very powerful reserves of British Capitalism; the colonial Empire is largely a preserve of the "officer" class, and for that reason, and because of its subordination to British private capital, forms a special sanctuary of the capitalist interest. The task of Socialism is first to detach those reserves from the enemy forces, then to neutralize them, and finally to win them over to its own side.

Socialism, then, on reaching power, will find it essential to make a quick and decisive break with the traditions of imperialism. And, believing as it does that true progress can only consist in the reorganization of society in the interests of the unprivileged, it will concentrate primarily on a "conscious and sustained effort to make the education, development, and well-being of the common people in the colonies the main function of colonial government."

It is not to be denied that the Labour Movement in Britain has so far given more thought to the question of colonial self-government than to that of colonial socialization. This bias is the natural consequence of

the movement's early association with Gladstonian Liberalism, whose influence, whether for good or ill, it has not yet wholly outgrown. Thus it happens that the principles governing the constitutional advance of colonial territories are pretty clearly laid down in the Labour Party's official declarations, while the problems of the transition from capitalist to socialist enterprise are treated with less definition. Since the various colonies differ widely in cultural development, it is recognized that they cannot be dealt with in a uniform way from the point of view either of self-government or of Socialism.

The main principles are that the transfer of responsibility should be made to a democratic community, not to one controlled by vested interests or with a restricted franchise, and particularly not to one controlled by an immigrant minority. In territories where it would be impossible for the indigenous inhabitants to take over the government of their country on modern lines immediately, the policy would be to foster the quickest possible growth of the aptitudes and experience required. It seems probable that such growth could well be much quicker than many authorities nowadays believe.

There are two reservations, however, which differentiate this policy from the traditional aim of Liberalism. Since the object would be to develop the Empire into a Commonwealth of autonomous socialist units, every endeavour would be made to secure that the advance towards self-government should take place *pari passu* with the growth of an internationalist, not a nationalist spirit, and that when the advance reached completion, native societies passing out of the status of wardship "should not simply be left to cope as best they might with a capitalist infection caught from their early contacts with the colonizing power."

As regards socialization, since Socialism is largely a remedy for the disorders of a developed Capitalism, its familiar forms and programmes will not always be

directly applicable to colonial conditions, especially in colonies whose inhabitants live at a primitive, pre-capitalist stage of organization. But socialization quite clearly implies one ruling consideration in all socialist dealings with the dependent Empire, and that is the pressing need for approximating to a single common level the standards of living of workers in the "home" country and of workers in the colonies.

This is a conception which, when fully worked out, is capable of taking us a very long way. It involves, among other things, socializing the whole capital supply available for investment in the colonies and using it purely in the interests of native society. This in turn postulates a National Investment Board in Britain (later perhaps an International Board of Colonial Development), which would allocate capital to the various colonies on the basis of plans prepared by the Colonial Office in consultation with Colonial Governments. By such means the possibility would be gradually opened up of levelling out the random price ratios and wage ratios reached by the process of capitalist competition, both as between agriculture and industry in each given area, and as between the colonizing country and the dependencies as a whole.

The general aim is that large-scale plans of colonial development should be applied to expand the internal markets of the colonies until colonial workers should enjoy the same kind of living standards as the industrial workers of Europe. The richer countries within the Empire group would deliberately use their own surplus wealth to draw the poorer countries up to their own level of material well-being.

How immense are the ultimate possibilities of markets within the Empire—of markets not exploited haphazard for the profit of a controlling class, but systematically built up for the evenly diffused enrichment of all productive workers—few people have begun to realize. The populations of India and the dependent Empire

number, all told, some 400 million. In 1933 these enormous masses spent roughly 5s. per head on British goods. The bulk of them under our present imperialist system are living in poverty so grinding that the table of minimum food requirements laid down by the Ministry of Health for the British unemployed would mean unheard-of luxury for them. An Indian or an African peasant family which handles cash resources of £10 a year is, by comparison with the general level obtaining among its neighbours, well off. If this starvation income could be raised all round to, say, £30 a year, if these 400 million souls could be enriched to the point at which it became possible for them to spend even £1 a head a year on British goods, the change would involve an increase of British export trade to the tune of £300 millions a year. Our total exports to all countries, British and foreign, during the years of "post-War prosperity" from 1924 to 1929 averaged £727 millions.

There seems, therefore, to be substance in the judgment of foreign observers who declare that Britain need never suffer from depression while this work of colonial development remains open to her. The mere provision of the capital goods required, their transport overseas, and the fitting of them in to the economy of the colonies would afford employment for large numbers of British producers and technicians. And when they had fulfilled their function of releasing new productive resources in the colonies, the resulting expansion of Empire trade, and thereby of world trade too, would be something of which modern commerce now hardly allows itself to dream.

Such in bare outline is the picture of Empire which the Socialist thinking of our time is seeking to draw. It tries to see the present Empire situation steadily and whole, to relate it to the world situation, and to use it as a lever to help forward the crucial problem of international security and world prosperity and peace. It

is based on a cosmopolitan ideal which discards the notions of unqualified national sovereignty and of that private property in the means of life and wealth of which national sovereignty is the political expression. And it looks to democratic freedom and equality as the instruments by which alone its ideal can in the end be realized.

## XIV

### THE STRATEGY OF VICTORY

By W. MILNE-BAILEY

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## XIV

### THE STRATEGY OF VICTORY

THE phrase "The Strategy of Victory" is one popularly used. Nevertheless, in nine cases out of ten it involves a confusion of thought on the part of the people who use it. An explanation of why I think it a bad phrase is really an exposition of the whole case against some recent tendencies in socialist thought. To talk of the strategy of victory is to use a military metaphor which implies that the attainment of Socialism involves a struggle between two diametrically opposed forces or systems. On any scientific survey of historical change this seems to be quite fallacious. It involves our taking a romantic or dramatic view of history.

We are presented with the spectacle of the good fighting the wicked. This is in line with the most cherished legends of our childhood. the stories of Jack the Giant-Killer, David and Goliath, and Siegfried and the Dragon, for example. It belongs to the mythology of our infancy. One can, of course, use such metaphors to dramatize the most ordinary things in life. If it is too prosaic to say that a workman makes a bolt or a screw, we can talk about man fighting metal.

That this kind of picturesque language has become accepted by large numbers of people in the Labour Movement as serious philosophy is due, no doubt, to the fact that hard thinking has never been popular. People have had to be roused to a pitch of enthusiasm for social objectives by this kind of appeal. To dramatize a situation, to present it as a romantic conflict, to wipe all



colours from the palette except black and white, have doubtless been considered necessary phases of propaganda in the past. It is more remarkable and more serious that this view of history has become the basis, not only of political propaganda, but even of serious proposals advocated by certain Socialists who, one would have thought, could not be called either sentimental or unsophisticated.

Whether these people have really talked themselves into believing that the romantic view is a valid one, or whether they still urge it with their tongues in their cheeks, I shall not attempt to say. If the latter, we are still faced with the question whether in fact such a method has propaganda value at the present stage of our development as a movement. On this point I shall have more to say later.

In any case, to the serious student of politics and history, dramatization of this kind will seem not merely fallacious, but silly. By overlooking the real character of historical change and the real forces and tendencies at work in the modern world, it both emphasizes the wrong things and, even more important, over-simplifies the problem in a way which must, in the long run, be disastrous.

I am not concerned, in this article, to plan a campaign which will ensure "the victory of Socialism over the forces of darkness," whatever that may mean, nor to suggest what a Socialist Government would or could do when returned to power. My only purpose is to discuss the underlying conditions of social change, and the way in which the process may be made to take us, as rapidly as possible, in the socialist direction.

In considering the basis of any sound concept of social organization, we must surely start from the realization that human affairs never stand still. There are no social forces, no institutions, no notions of good and bad that are not ceaselessly changing. No social philosophy that is to be fruitful can possibly start from any belief in a

static system of politics or a static system of social ethics. We have our own concepts of civilization, of social right and wrong, but they are not the concepts of half a century ago, and half a century hence they will have changed once more. Human institutions themselves are evolving all the time, whether their names change or not. As has often been remarked, we tend to be hypnotized by names. We attach a label to some institution or to some tendency, and because we continue to use the label we think the thing to which it is attached remains as stable as the name. We have a habit of retaining labels when the things themselves have changed out of all recognition.

From a given social and economic situation, change can be in this direction or that, but the direction and size of the change will be limited, first by natural factors and, second, by the human will. That, I think, is obvious. We can have all sorts of desires and objectives which, unhappily, go beyond natural possibilities. It is a cardinal error to suppose that because scientific knowledge has advanced very rapidly it has caught up, or ever will catch up, with the flights of human imagination and desire. Natural factors set a limit to what can be done. But the human will sets a limit which is equally important, and which is especially important to democrats.

It should be observed, however, that its importance is not confined to democracies. Even the most absolute monarch or the most ruthless dictator, possessed of ample force, cannot entirely ignore the wishes of the people over whom he tyrannizes. That is a commonplace in the history of dictatorships from ancient times up to the present day. If a dictator is extremely foolish, he will go on ignoring the wishes of his subjects, but a point will come, as has often happened in history, when their patience will be exhausted. They will be tired of his antics, and they will cut off his head. The successful dictator, on the other hand, considers the wishes of his subjects even though there is no formal machinery for

consultation. Indeed, the modern dictator manages to hoodwink the people into believing that he carries out their wishes more effectively than is possible under a system of party politics. Actually, their wishes come second to his own. In a democracy the wishes of the mass of the people come first, though it is the hardest thing in the world for the sincere but fanatical reformer to realize that perhaps, after all, he does not embody the sum total of human knowledge and human wisdom.

It is so easy for the man who is utterly convinced that his policy is right to ignore the ideas and wishes of other people who, on any democratic showing, are as important as himself. The really democratic leader, on the other hand, is he who recognizes that he must advance as far as, but no farther than, the majority of the people desire. In the democratic view *vox populi* is in truth *vox dei*. This seems to be the real distinction between democratic and dictatorial systems. Strictly speaking, every human being who is thoroughly and sincerely convinced that he is right, in an absolute sense, belongs to the category of potential dictators. In the democratic category are those who realize that systems of ethics, including social ethics, are relative and not absolute, and that to the statesman the policy people want must be the basis of his programme, whatever his own private ideas may be.

To democrats, therefore, the recognition of these things must, at any given moment, limit or condition the possibility of change in a particular direction. Moreover, as a result of the interplay between a multitude of conflicting desires at different times and places, conflicting natural factors, and numerous accidental features, institutions evolve in ways unforeseen and unforeseeable by anyone. The most that any movement or any group of people can do is to give a twist or a push to the process of change at any given moment, turning it a little this way or that to accord with the social philosophy of the movement or group at the time.

At this point I can hear loud objections that I am confusing Socialism with democracy. If this issue is raised, it can only be because those who voice it regard democracy as merely a means, and not always a necessary means, to the achievement of what they call Socialism. This is, frankly, the communist view. To the Communist there is no particular virtue in democracy at any time. He is quite ready to use democracy if it suits him, but he is convinced that at some point it will have to be discarded, to be superseded by a dictatorship, the dictatorship of the proletariat. The Communist says that in no other way can his object be achieved.

The socialist tradition of this country, and of most countries in Western Europe and Scandinavia, has not followed this Marxian line. True, many Socialists have contracted the habit of expressing everything in Marxian jargon, but this is no more than a conventional gesture, a concession to good form. Wearing the old Marxian tie, they are nevertheless Social-Democrats. To those of us who are Social-Democrats, democracy is no mere means to an end, but is bound up with the end itself. We are Socialists because we believe that democracy, with its emphasis on freedom and equality, its rejection of coercion and intolerance, its pursuit of reason and of individual values, is only to be brought nearer as the economic structure becomes more and more socialistic.

This brings us to a major issue—perhaps I should say the chief issue. I have spoken of the economic structure becoming more and more socialistic. This postulates the possibility of a movement, a transition, an assumption of socialistic features, by the economic structure, in an increasing degree. Not only to Communists, but to some who call themselves Socialists, this will be blasphemous nonsense. To Sir Stafford Cripps, for example, it will be mere foolishness. The reason is not that their insight or their reasoning powers are better or worse than those of Socialists who profoundly disagree

with them. The difference is largely temperamental. They are romantic to the core. To that school of socialist feeling, Socialism is not a particular sort of economic organization in which land and industrial capital are publicly owned and democratically controlled, with the object of creating conditions in which there can be a continuous approach towards complete democracy with its equality and freedom; rather is it a religion, having its heaven on the usual pattern,—a land flowing with milk and honey, a land in which there will be no more cruelty or oppression, no more meanness, ignorance, or pain. It implies the romantic belief in the perfectibility of human nature.

The achievement of this sort of Socialism involves not merely a revolution, but a Revelation. There is, indeed, something Apocalyptic about the whole conception with which the writings of Mr. William Mellor and Mr J T Murphy, for example, have made us familiar. Write they never so reasonably, they contrive to give us an impression of the imminence of fiery wonders about to descend from the heavens, with the Chairman of the Socialist League in the rôle of the Holy Ghost.

When Lord Lothian and other anti-Socialists tell us with unction that Sir Stafford Cripps is right, that Socialism cannot be achieved by a peaceable transition from present conditions, they are merely seeking to make party capital out of the spoken or written indiscretions of that distinguished politician (and we know that indiscretion is the better part of politics). The public, they argue, will in any case reject Sir Stafford's policy, so what could be more astute than to rope him in to support the Liberal and Tory claim that the Labour Party policy, of which they are really afraid, is impracticable? What they believe, but do not say, is that this "Apocalyptic" Socialism cannot be achieved either by a peaceful transition or by any other means. This, however, is what Harold Laski appears to say in

his latest book, and he is certainly correct. It is futile to chase the Millennium. If we caught it, we should never know it. It is a will-o'-the-wisp hunt,—but there will always be those who cry, "Great is Diana of the Illusions."

We are told that we cannot transform Capitalism into Socialism—as though we were talking of top-hats and rabbits. The truth is, of course, that "Capitalism" is being transformed all the time, under our eyes. Why should capitalist institutions, more than any others, remain static? What we have to look at, primarily, is the direction of change. In social change, as everywhere else, size and speed have no virtue in themselves, though a good many people seem to think they have. What matters is the direction in which the change is proceeding. Rapidity depends on the extent to which the public has been convinced that it is desirable and practicable.

In so far as economic institutions change in the direction of the socialist objectives already mentioned, we can say with truth that Capitalism is being transformed into Socialism, as we understand it, though there is nothing dramatic about the process. Is the change in the direction of bringing the economic structure more under public control and of widening the area of public ownership of industrial capital? Is it in the direction of an increase in the economic security of the worker and of an enlargement of economic opportunity, and freedom, and less extreme inequality? If Capitalism, during its century and a half of evolution, has changed in this direction, is there the slightest reason to suppose that it cannot continue along the same path? For, of course, the transformation is nowhere near completion. It never will be, since our own conceptions of what is desirable change insensibly as the world around us changes. Nothing in life is one hundred per cent. The human craving for finality is natural, but it can never be satisfied.

We are asked to believe that at some stage the transformation of "Capitalism" must come to a full stop. Why? Because those who benefit under present conditions will "refuse to surrender their privileges." What nonsense this is, with its theatrical view of economic change. As though anyone is going to march up to the "Capitalist" loudly demanding, at the point of the sword, that he forthwith surrender. The strategy of victory, with a vengeance! Was no breach made in private ownership when death duties were first levied? Was there no nationalization of industry when the telephones became publicly owned? Was there no elimination of capitalist ownership and control when broadcasting and electrical power generation were made public services? Or when London's transport and London's port activities were reorganized?

History does not record any armed revolt or sinister sabotage by capitalists who were being "deprived of their privilege," on these occasions. Were they asleep, then? "No," thunders the critic, "none of these measures was in any way socialistic." They may have taken away ownership from the Capitalist; they may have removed control from his hands; they may have turned his private enterprises into public services. But that they were not socialistic is proved by the absence of armed rising or secret sabotage. A very simple criterion, much easier to apply than careful analysis of the facts. Apparently there has only been one really socialist measure proposed in modern times—the Irish Home Rule Bill in 1913-14!

Capitalists are not asked to "surrender their privileges." Thank goodness we have more political sense than that! They are asked, and they are only too willing, to bargain to get the best incomes they can for themselves, with greater security than private enterprise offers them. What do they care about the philosophy of Capitalism? Or the ethics of State ownership? Or the passing of the ancient order of Manchesterism?

What they want primarily is a secure income for themselves for the rest of their lives, and Socialism can afford to give it them in deference to the public's strong views on confiscation. Bought-out shareholders do not care if another step has been taken towards Socialism; they do not even realize it. Years later the economic historian is able to trace out the path taken, to mark the stages in the journey—but it is all over by then, and everyone thinks the new order is the soundest Conservatism.

As for the contention that it is socialistic for the State to take over capital and pay its owners nothing, while it is capitalistic to take it over and pay its owners an income, one can only assume that people who believe this have never troubled to acquaint themselves with the elements of the socialist case, or with the distinction between ownership of industrial capital and receipt of a State pension (or whatever more genteel name may be preferred). The one is a temporary personal matter, while the other is an important economic institution.

The entire social pattern is flexible enough to change continuously, yet completely. And it is worth noting that the major changes, some of which have been referred to, have been given a socialistic direction by forces inherent in the growth and prosperity of Capitalism itself, and by the changes in technology that have been an integral part of that process. It was the growth in the scale of industrial enterprises that made it necessary to invent the joint-stock principle, so starting the divorce between ownership and control in industry that is still proceeding rapidly. It was this same factor, together with the increasing complexity and cost of industrial plant, that pushed the process further by introducing the professional manager with no ownership interest at all. It was competition, the mainspring of Capitalism, that, carried to extremes, resulted in the trust, the combine, the cartel, the whole



industrial concentration movement now so important a feature of our economic life. It was this trend towards consolidation that led to that menace of monopoly power, which, in turn, has to yield either to public ownership or to governmental control and regulation. From the early capitalist successes themselves arose that complex of social institutions, and that delicate interdependence of all its parts, that have created the concept of essential public services, a concept which leads straight to public ownership or regulation and to the elimination of private interests. And so we might continue

There is a well-known Marxian slogan that Capitalism contains within itself the seeds of its own destruction. If by this is meant something catastrophic, there is no evidence of anything of the sort happening. If "destruction" means "transformation"—a more reasonable term—it is perfectly true, but it applies not merely to Capitalism, but also to all other human institutions. Continuous transformation is a necessity to all living things. A "system" or an institution that is not constantly dying is already dead. By dying, it keeps alive whatever is worth survival.

When it is said that Capitalism cannot be changed into Socialism, the only suitable comment that can be made, whether to the Left-Wing critic or to the out-and-out Communist, is to point out gently that they are behind the times, and that this very change has been going on for quite a time now. I suspect progress would be faster if Socialism could only be saved from some of its more vocal friends.

It should not be imagined that, because some of the major forces inherent in capitalist development have given a socialistic direction to economic change, a completely socialist economy must inevitably come into existence without anyone's help. Few of us would be such rigid and unbending determinists as to think that, about either the past or the future. There *are* other forces ruling the lives of men, besides those of the

economic world, and, anyhow, we are not entirely at the mercy of our environment, economic or otherwise. We can, as has already been said, give a push to events, at times, determining the direction or the pace of social change. A Labour Government with an ample majority can give a significant and emphatic push, but it cannot change the face of Britain in five years, or even ten.

The task for Socialists, therefore, is not that of storming citadels or manning barricades. It is not so heroic, but neither (if that is any compensation) is it so futile. It is much duller, and also (which is no compensation) much harder.

That task is, very briefly, to take advantage of every opportunity that arises to advance even a single step in the socialist direction, no matter on whose initiative or with whose support the move is made. To say we will not take a step unless it lands us in Utopia right away, sounds fine, but it will flutter no capitalist doves; those who say it are, politically speaking, children amusing themselves by blowing iridescent bubbles. To say we will support nothing that happens to be originated or backed by Tories or Liberals, merely because of that fact, betrays an "inferiority complex." Some people seem to have—unconsciously, to be sure—such a modest opinion of their own powers that they go all suspicious if a Liberal or Tory seems to be walking alongside them for a few steps; they at once conclude that they are being led up the garden. The wiser course is to throw away no chance, however unpromising it may look, of pushing things a little more in the direction we want. It needs patience, alertness, minute study of the facts, careful judgment of men and events, and that supreme test of wisdom—the ability to compromise. There is no limelight, no newspaper interviews, no heroics about it. Nor, to be sure, is there anything new. In fact, that is the way in which social change has always been pushed on—not by making

melodramatic speeches nor by passing verbose resolutions.

If we have abandoned romantic ideas of absolute right and wrong, absolute justice, and the rest, and substituted the notion of relativity; if we have given up the belief that the life of society is a series of pitched battles and have substituted the concept of continuous change, we shall be alive at every moment to the possibilities of the situation at that moment. When we cannot get exactly what we want, we shall agree to the best compromise we can secure—meaning by this that we get part of what we want, without blocking the way, for the future, to further change in the same direction.

The comrades of Muggleton Parva may pass a resolution refusing to take office again with a Parliamentary minority, but the realist who takes his Socialism seriously, and whose sole concern is to excite the maximum influence upon affairs accordingly, will ask himself, not how magnificent a gesture of refusal can be made to look, but how best—by acceptance or refusal—the interests of the people can be served. And that will depend on all the circumstances at the time.

It may all sound dull and unexciting, but really there is no short cut. There are those who imagine that a "snap" majority at a general election would enable them to do such a lot in a short time that there could be no going back on it by any future Government, because "you can't unscramble eggs." By "blanket" legislation, Orders in Council, and what not, they would jump forward with a bound, disregarding minorities, cutting short discussion, and showing themselves to be men of action, strong if not silent. They delude themselves and others.

A job is not done when an Act of Parliament has been passed to do it. Very often that is only the beginning, and not the end. Mere machinery seems to exercise a strange fascination over many politicians.

They seem to think that once a network of Boards, Commissions and Committees has been established, with powers and functions neatly defined, everything will go like clockwork. It is not so. The people—workers, consumers, managers, technicians, distributors and the rest—are infinitely more important than the machinery. It is they, not the machinery, who can make a socialized industry work. It is they who constitute the minorities the men of action would disregard. It is they who want to discuss at length what the strong men wish to push through with little or no discussion.

In a democratic country no politician, if he is a realist, will ever wish to muzzle discussion or to outrage the feelings of minorities. If he does, or even if he seems to, he will arouse so much distrust that it will be a very long time before he is given the chance to do anything at all.

No, for whatever steps we want to take in the socialist direction, whether they are big ones or little ones, we have to get the intelligent, reasoned backing of the great mass of the people. They have to be educated, not fuddled temporarily with emotional propaganda. In other words, they have not only to feel a warm desire, a passion, if you like, to remedy the injustices they see around them—their own mental processes must show them that *this* rather than *that* is the direction in which they must proceed to further their wish.

What is the case against using propaganda of the sentimental type, based on the silly dramatization of politics mentioned at the beginning of this article? Leaving on one side all ethical considerations (which some people might want to stress), the unanswerable argument against it is its ultimate futility. Those who do not take my view say that the people as a whole are incapable of thought and are only responsive to emotional appeals. Decked out with Freudian terminology, this sounds very pretty. To that eminent

psychologist, however, there would be precious little difference between John Doe, bus conductor, and Richard Roe, his party leader. So it would be a case of the blind leading the blind, in any event.

This aside, the theory provides its own answer. If the people are so infantile, if only the crude sentimental appeal can reach them, the Socialist Movement might as well shut up shop. Should we chance to snatch a majority once, it would be worthless, since, in this kind of propaganda, we can no more compete with our opponents than we can in the acquisition of military weapons.

Anyhow, who wants to try to get a new social order by using that kind of weapon any more than by force of arms? Fortunately, we need not accept this estimate of the public intelligence. Far from it. Experience shows conclusively that the reasoned case can, if presented in an attractive manner, be put with entire success to the mass of the people. On the average, they are as capable of sustained thought as the ordinary bunch of University dons. And when they have it fixed in their minds, having thought it out, it is a part of them, it is not liable to be driven out like a transient emotional appeal. Therein, from the socialist point of view, lies the permanent superiority of the method of reason, considered simply as a method. Even if it had not this sort of superiority, it would, of course, be the only possible method for anyone with a feeling for intellectual integrity (if that quality may be mentioned aloud in these days).

No doubt I shall be informed that I have been expounding nothing but evolutionary Socialism, reformism, or (depths of degradation) gradualism; that I have not outlined any strategy of victory, that I have not been floating on any new current of socialist thought. All perfectly correct, and all stated explicitly or implicitly in the course of this article.

I shall probably be told, also, that I have been

preaching Social-Fascism As to that, I could say better if I knew what it meant. I once asked a Communist acquaintance, and he murmured something about the ideological aberrations of crypto-Menshevism. So I shall give myself the benefit of the doubt.

And I shall be told that I am throwing cold water on the generous enthusiasms of youth. If youth *must* be fed on illusions, it had better go back to its toys. But I don't believe it I find that young people to-day are on the whole more anxious than their elders to see clearly, and to "get down to brass tacks."

At no time in the history of the Socialist Movement has it been as vital as it is at present that we should put beyond doubt our firm adherence to the evolutionary method of political change. It is the method British Socialism has always followed It has already, less than thirty years after the Party's birth, made Labour one of the two great parties in the State. I do not think we shall abandon it, merely because the electoral avalanche of 1931 made some people lose their heads and fly to eccentric expedients On the contrary, socialist opinion has never been so solidly attached as it is now to the democratic method of reason and persuasion Our Movement has grimly observed, in Germany and Austria and elsewhere, the futility, the tragedy, that ensues when Socialism follows the example of its opponents and leaves the democratic road, to play with coloured shirts, machine-guns, and all the paraphernalia of hatred and intolerance.

We cannot know what is ahead of us. It may be—though I think it very unlikely—that the forces of stupidity and barbarism will sweep over us, too, as they have over Germany, through the use of trickery and violence We shall not prevent it nor defeat it by resorting to barbarism ourselves. We shall, indeed, give an excuse to the implacable foes of reason if once we appear to grow doubtful about our own democratic philosophy.

Our real aim is not to pass Acts of Parliament, nor is it merely to create socialist institutions. It is so to order our economic life, in all its aspects, that every citizen has, at least, the opportunity and the environment afforded him of living a full human life, free from the bondage of physical want, from the oppression of squalor and ugliness, from the gross inequalities of a class society. It is a noble aim, but every step we take towards its realization must be desired by the mass of the people; otherwise it is a step taken in vain. Progress, therefore, cannot be as rapid as some of us think and as all of us wish. We can help by basing our appeal upon the reasonableness of our policy, and by seizing every opportunity, however it presents itself, of taking a further step. By this means alone shall we make the transformation of society a firm reality.

## XV

### WHITHER THE LABOUR PARTY?

By GEORGE E. G. CATLIN

GEORGE E. G. CATLIN Served in European War. Educated New College, Oxford (Exhibitioner in Modern History, 1919-20). Mod. Hist. Honours School with distinction; and triple prize-winner. Lecturer, Sheffield University, 1920-24, and W.E.A. tutor. Succeeded Professor Alfred Zimmern as Professor of Politics, Cornell University, 1924-35. Member of the Executives of the Fabian Society, Labour Parliamentary Candidates' Association and Union of Democratic Control. In 1931 parliamentary candidate for Brentford and Chiswick, and later Chairman, Chelsea Labour Party. Prospective Labour candidate for Sunderland. Co-founder of *The Realist*. Author of *Thomas Hobbes, Science and Method of Politics, Principles of Politics* (Allen & Unwin), *Preface to Action* (Allen & Unwin); contributor to *Great Democrats* (Ivor Nicholson) and *Challenge to Death* (Constable), etc., also in the "Everyman" and "Home University" Libraries





## XV

### WHITHER THE LABOUR PARTY?

§ 1. *The Labour Party's Policy Experimental.*—In a recent letter in *The Times*, the Principal of an English University College wrote:

“Hitler is not so very far from the kingdom of democracy . . . He may not think of himself as the founder of democracy in Germany, but future ages may look back on him as such. . . His method of democracy is not ours. . . The Germans know best what suits them. . . Germany is not Britain. Nothing, in fact, but Britain is Britain at all.”

The learned scholar who wrote this appears to have fallen into an unaccountable confusion between democracy, as accountability to the majority, and demagoguery. More dangerous is the supposition that a system of government, patently immoral in the direction of *homo sapiens* in one country, may be, not merely tolerable during a transition, but inherently excellent for people in another country. If so, we might as well burn all that has been written on justice and liberty from Plato to Milton and from Milton to to-day. On the other side of the Rhine, presumably, Germans spend time in prison because they like that way of spending their holidays; and the German Press is muzzled because it is such a good dog. Presumably, on the other side of the Rhine, in the words of Goethe's witches: “Nine is one, and ten is nine” It need scarcely be said that no self-respecting Nazi would accept this very English explanation of his faith in the eternal

value of blood purity or of the "Leader-principle," any more than a Communist would admit that Lenin died that only Muscovites might be saved.

Ironically enough, it has been critics in fascist journals (disliking the statement that Mosley's policy was un-English) who have pointed out to me that all the great ideas of the world are international in their influence, including the Italianate ideas of Fascism. That is, of course, true. Western civilization cannot be cabined within the limits of any Nation-State. Communism, Fascism, democracy—all these are international ideas.

There is yet an important truth concealed behind the dangerously uncritical argument of the writer of the letter to *The Times*. Ideas have influence there where they have established a living connection with the characteristic thought of a people.

Ideas have a history and a country of origin. This history, indeed, does not affect their truth or otherwise. There is no case for the national proprietorship of political ideas. It is yet noteworthy that the style of thought of a country usually expresses something of the character of the people of that country. What is in accordance with that way of thinking will have influence with them. The tradition of tolerance and of respect for personal liberty is deep in the English way of thinking. The genius of Cromwell shows itself in the fact that, even at the time when he was most emphatically governing with the strong hand, he believed himself to respect this tradition and convinced not only the Independents, but the mass of the nation, of his intention.

The Liberalism of Charles James Fox is not historically the product of the French Revolution. It is far truer to say that the French Revolution is the product of the ideas of John Locke and of English Parliamentaryism, as well as of local economic and social circumstances. England here led in political maturity.

Similarly, the notions of John Loveless, of Tolpuddle,

and Joseph Arch, founder of the Agricultural Labourers' Union, did not derive, respectively, from Robespierre or from Marx. They were the fruit of local needs, pressing upon the minds of intelligent and earnest men, although the socialist ideas of Owenism that confirmed their conduct were in the air, and flourished in the mental climate of the times. The ideas of Owen were themselves very much a native growth. Such, under Trade Union and Fabian guidance, British Socialism has remained to this day, despite certain influences that played on Mr. Sidney Webb, and the Marxist influx of the post-War years.

If we would seek the heart of this British political tradition, we should find it in a trust in experience and experiment. It has markedly a distrust of neat dogmas and of the wish to thrust the facts into the shape of some absolute doctrine or to press an interpretation in the light of some innate idea. The great Anglo-Saxon thinkers, Bacon, Locke, Bentham, J. S. Mill, William James, all have this in common. On the other hand, Marx derives from precisely the opposite grand philosophic tradition—that of Hegel and the dogmatic philosophers, systematizers all of them.

The Latin mind typically trusts logic; the Germanic mind trusts system. The Englishman does not want his mind systematized, whether by the dialectical skill of Hegel or by Stalin. So far as he understands the trick, he dislikes it. The Anglo-Saxon mind trusts trial by experience. It insists on keeping "an open world," unclosed by dogmatic theory. The heart of this tradition of liberty is the right and duty of continuous experiment.

§ 2. *Social Democracy versus One-Party Intolerance.*—Fascism believes in one great experiment (not such a novel one) of establishing the Totalitarian or Cæsarean or God-State—call it by what name one will—the State whose dictator is a demigod, a divine Rudolph Valentino with bugle eyes; and then terminating by

force all further constitutional experiment. As Dr. Goebbels says

“National Socialism cannot be judged right in this and wrong in that respect. As we, the National Socialists, are convinced that we are right, we cannot tolerate any other in our neighbourhood who claims also to be right.”

The art of a good statesman, the characteristic of the rulers of a political-minded nation, is to be able to substitute persuasion and discussion for brute force and the methods of the inquisition. Dr. Goebbels' Ministry of Propaganda is not the Vatican. It cannot claim to rely upon any ultimate revelation of truth. It is not a voluntary church to enjoin on men's minds its own version of truth by solely spiritual penalties. Its weapons against the objector are the physical and compulsive ones of prison, the pistol and the gunmi-stick. In the field of the State and of State action, such declarations as that of Dr. Goebbels are intolerable and barbaric. They flatly deny the duty of initiative and invention in thought. Dr. Goebbels' colleagues make of Germany a prison which men may not leave, and through which patrol policemen of the mind. It is surely a very odd “Renaissance” that is here. It is reserved for Herr Sieburg, in his *Germany, My Country*, to make a boast of barbarism and of contempt for the principles of reason. “Devotion to Nature makes it impossible for us to give unreserved adhesion to civilization.” Herr Sieburg is a highly civilized man, it does not follow that every Nazi fanatic who gets countenance from his principles will be such.

Russian Communism, on the other hand, looks forward to the withering away of the State and to an ultimate condition not much short of that commended by the anarchists. However, it also maintains that, during the transitional period, a form of government must be established that is “the most ruthless form of State, which embraces the life of the citizen authori-

tatively in every direction" (Trotsky). Russian Communism, consistently with these principles, stated by Stalin with even more emphasis—"a rule unrestricted by law, based upon force, enjoying the sympathy and support of the labouring and exploited masses"—has certainly not been guiltless of intolerance during a protracted transitional period. That intolerance may be justified in terms of Russian history. It is not justified in the context of Anglo-Saxon history. Whereas in the American Revolution a large measure of free discussion—passionately vindicated by Jefferson—was customary even before the Peace was signed, except in the case of avowed Tories who were permitted to emigrate, in Russia tolerance has been attacked as a bourgeois and despicable quality.

The proper condemnation of that cowardice that abstains from taking sides on moral issues has been extended, in Russia, to a condemnation of that honest impartiality that seeks to discover the truth and which claims access to the evidence. Even Trotsky's *History of the Russian Revolution* has been banned from circulation in Russia in the interests of the military strategy of the class-war. Of national wars it has been said, by Gilbert Murray, that their outlook coincides with "a rising flood of mendacity." That phenomenon has been cynically regarded as inevitable, and has been detectable in the waging of the class-war. Lenin himself has declared that alone to be moral which profits the class-war. • "For us morality is subordinated to the interests of the proletarian class struggle."

In the Soviet Union, power lies, for the present, in the hands of the Communist Party, whose membership is a minority of the population. The members of this Party—this Church—form the opinions of the rest. Not only do they claim the right to power, but discussion must be within the limits they lay down. Discussion is a privilege of the orthodox. And government is by a one-party rule of the orthodox.

Marxism cannot be held quit of all responsibility for the views of Marxists. Marx frequently insisted that he desired to establish no rigid orthodoxy, just as Buddha declared that he did not desire to be regarded as divine. The disciples have not been so accommodating. An idea, like a child, has its own life apart from its begetter. Marxism has now assumed the shape of a definite and "scientific" system. At the back of the thesis of the class-war has been built up, in the first line of support, a system of economics, and in the second line of support, a complete system of philosophy. Throughout, the suffocating assumption is made that when Marx says it is so, it is so—Marx is always right, and Lenin knows what he means.

Marx, on the contrary, occupies the same position, as a thinker, as any other philosopher. He has made his contribution, and an important one, to the interpretation of human experience and to the synthesis of thought. Like other philosophers, he will gradually be improved upon, and superseded, as new experience is taken into account. Still more true is this as touching his position as a political revolutionary.

On the political side, the Communist revolution actually broke out, not where Marx especially anticipated, but under what had, long before Marx, been recognized to be conditions provocative of revolution, after an unsuccessful war and against a tyranny, oppressive and incompetent. The movement illustrated the significance, not of the contest for wealth, but of that basic contest for power which so frequently assumes economic forms.

On the economic side, changes have taken place since the days of Marx that as much require the recasting of his practical argument as exact analysis demands the restatement of his economic theory of value. It is of great importance that the middle class, in the Western world, has not been crushed out, as he anticipated, between the upper millstone of the concentration of

capital and the nether millstone of the law of wages. On the contrary, technological development has increased its strategic importance.

On the philosophical side, the English socialist tradition (which is older than Marx) has not been one that has stated itself in terms of dogmatic materialism, even when substantially re-cast, and vitalized, as dialectical materialism. A philosophy is merely a thorough synthesis of experience acceptable to intelligent men. To some minds the determinist theory of Spinoza and of German philosophers such as Hegel and Marx, who made Hegel turn a somersault—"stood Hegel on his feet"—are acceptable. So is that of Thomas Hardy's "Dynasts." One can sympathize with that point of view. To others these theories are quite unattractive—irrelevant or repulsive. Their objection must be respected.

Unless a political movement is to become a dogmatic religion, it is undesirable that it should be tied to doctrine on such issues. Liberty of thought matters more than any philosophic system of thought. Truth may or may not be relative, but such systems certainly are. In brief, the advantages to be expected from socialist activity will be solid, but they must be judged in the light of unadorned common sense, and not in the light of a Messianic vision of days when conflict shall be no more and of an apocalyptic Second Coming of Marx with power, along with his Holy Family. The fanatical importation of Marxist orthodoxy is radically uncongenial to British Socialism.

These reservations do not mean that Marx was not a great seer and interpreter. He was—in 1867. They do not mean that the victory of Socialism does not mark a triumphant advance in the larger history of democracy. It does. But they do mean, to use Engels' own phrase, that we must judge this advance by standards "scientific" (including regard for the psychological and political sciences), and not merely "utopian." Per-



haps it is less ostentatious to say that one will judge the probable advance soberly. That is, for Englishmen, a desirable guarantee against disappointment and reaction. The more extravagant claims are not necessary, with Anglo-Saxon peoples, for a practical advance. On the contrary, they are an element of weakness. To these peoples, the right to form their own judgment on the facts, right or wrong, and respect for the freedom of that judgment, are much more important than the authority of Karl Marx and all his interpreters together. In fairness, it should be added that Karl Marx would probably have been the first to agree with this view. We do not desire to have our necks clamped under the yoke of this or that Marxist school of theory.

§ 3. *Revolutionary Tactics*.—The central Marx-Leninist thesis is that of the need for proximate and violent revolution

No one who looks back on the history of Cromwell, Washington and Lincoln can doubt that revolution, and even civil war, however horrifying at the time, may be beneficial in the history of a country and that resort to them may be a patriotic act. It is a possible course of action in crisis that must be faced. If rejected, it must be rejected deliberately and consciously. Social Democracy owes such deliberation to itself.

If the privilege and power of the rich, of the Vanderbilts of the last century and the Kreugeis and Zaharoffs of this generation, to commit anti-social and unpatriotic acts can only be thrown off by revolutionary measures, then these measures should and must be adopted. They must be adopted if there is no other means of securing that no economic power to exploit, as no political power to rule, shall be exercised over the masses of the community without preaccountability. These are sacred duties to civilization. If, therefore, a clique of powerful men choose to press a country towards war for their own purposes—a war disconnected from any purpose of international justice—it

becomes important to depose those men from power by revolution. The issue of such a war can only be bitter and rotten fruit. There are contingencies under which, for moral, courageous and patriotic men, there is a duty of revolutionary war. That duty is well established by the lives of the heroes in the history of the Anglo-Saxon peoples.

It is no rash prophecy to state that in the event of unsuccessful or protracted war, revolution would break out in most capitalist countries to-day. Upon that contingency Communists count: it is one of their most realistic calculations.

No patriotic man, however (and, as Lenin himself pointed out, patriotism is a word of praise), can contemplate civil war with equanimity. In a country where there is universal suffrage and (despite the power of the House of Lords) a broadly democratic constitution, the argument must be scrutinized with care that violent methods must be adopted on the ground that this constitution is merely "bourgeois democratic" or "capitalist-democratic." On analysis this charge may be found to be one, not against the form of the constitution as baulking the will of the electorate and the mass majority, but against the apathy of that electorate itself.

With responsibility and the personal pride that goes with responsibility the ordinary citizen may be stirred from this apathy to manhood. To stimulate that adult responsibility in the citizen democrat is one object of democratic Socialism. Democratic Socialism is the object of the British Labour Party. But this apathy, and gullibility exploited by a biased Press, are not adequate grounds of themselves for abandoning the task of persuading men of their true interests or for setting the evil precedent of minority dictatorship—even if the minority asserts that it knows best what is the "real interest" of the mass. Democracy is not a system under which a few rule the whole in accordance

with what is thought by the few to be the interest of the many. To suppose this, appears to be the error alike of the Communist Party and of the German "Neue Beginnen" group. Democracy is a system whereby the majority at any given time, rightly or wrongly interpreting their own interests, are competent to put into power and turn out of power the Government of the day. It is a concept antithetic to dictatorship—or, since some people (including Mr. Sidney Webb) dislike this word, to absolutism. The mass of the citizen body has to-day to choose whether it will exercise its freedom to resign itself to dictatorship, or whether it will retain its power to discuss, to criticize and to reject.

The German "Neue Beginnen" group (whose "Socialism's New Beginning" has been introduced to English readers with approval by H. N. Brailsford) has outlined a method of confronting a fascist dictatorship already established. It describes the policy of "a proletarian revolutionary party." It has the virtue of recognizing that

"there exists throughout the whole world in the various countries a general tendency . . . towards Fascism. In England there is the Mosley group . . . The man at the top need not be a genius. . . . These groups may very well exist for years as no more than ridiculously small and insignificant centrally organized groups. Only when the economic and social conditions of the country mature . . . only then can such a sect become the nucleus of a great fascist party, gradually winning over the masses, and be carried by them to power."

The method, however, by which the rise of dictatorship may be confronted by citizen democrats who share a tradition of liberty and the method by which a despotism should be overthrown are sharply different. "Socialism's New Beginning" is a contribution relevant only to the latter problem—which is, fortunately, not as yet that of Anglo-Saxon countries. The policy of the

"Neue Beginnen" group, like the policy of the Communist Party, urges us to go along that very road which leads to the establishment of Fascism in Britain.

In the crises of British and American history the party that held the keys of the future had always been a party that began by stressing its constitutional rights and traditional liberties. It placed its opponents in the position of reactionaries who denied the logical implications of those liberties. It made them opponents of the constitution, and struck them down in the name of law, or appealed with confidence to the candid opinion of mankind. The true democrat is the man who is patient in his belief in the majority, and who neither despises it nor despairs of it, but studies to discern the motive forces of its will. He has confidence in it. He seeks to make that actual will articulate. That will, so far as it is likely to be permanent, must needs be in accord with the deeper and dominant impulses of human nature, and will be restricted by the natural laws that govern those impulses. It is a will related to the rational nature of man and itself capable, by sound statesmanship, of being shaped by reason.

The task of Labour statesmanship is to achieve a mandate from the majority to lead. It will then confront any obstinate minority, where it would challenge a fight, with the authority and force of a resolute Government. A Government must not be guilty of the grand refusal when the need comes for decisive action. It will, however, act in the presumption of good citizenship in its opponents, until the contrary is apparent. It must not hesitate, any more than Lincoln hesitated, although, like Lincoln, it will always hold out the hand of peace and keep balanced the scale of justice.

§ 4 *The Political Stand of the Labour Party (a) In Relation to Communism*—The time has gone by (or has not yet come) for discussion on nice points of theory. It will not be beneficial for the success of the Socialist

Movement if any attempt, at this stage, is made to build up some elaborate theory of "true Socialism" over against the Marx-Leninist doctrine and as exigent in its demands for acceptance.

The history of MacDonaldism to the Right and of Marxism to the Left, the history of events in Italy, Germany and Russia, show the danger of those divisions in the movement which Marxist doctrinaires have not been guiltless of fomenting. Differences for historical reasons, and for reasons of personal conviction, will exist, but it is not desirable gratuitously to sharpen them. Such a course can only drive sincere Socialists, who are unsure of the right tactical course, into the Communist Party. It is a mistake avoidably to take over for ourselves the pitiful quarrels of the Continental movements.

It must, however, be made clear that the British Labour Party is not, and should not be, committed to Russian Communist ideology or to the basis of that ideology—economic and philosophic Marxist dogma. It rejects as false the Marxist thesis of political action. The policy of commitment would involve the acceptance of the doctrine of the class-war as a tactic (as distinct from any theory of the divergent interests of economic classes as a description); it involves the exacerbation and emphasis of all existing conflicts in the social order with a view to inculcating a revolutionary mood; it involves the denial that any social solution, except after the road has been travelled of physical violence, is in fact discoverable; it proceeds upon "the expectation of violence"; it involves the clear-cut repudiation of parliamentarianism, "democratic Socialism," and the liberty and tolerance of variety; it would involve the denial of the right to oppose the Government or to call in question the constitution, if Marxist.

Lenin has stated the case quite plainly and bluntly in his *Notes on Dictatorship in Conditions Prevailing in England*. "Dictatorship of the proletariat means that one class,

the proletariat, teaches all the toilers, *idem*, leadership. *To lead.* The ruling class is the proletariat alone. Ruling excludes liberty and equality." In brief, a group smaller than the toilers is to rule by a one party dictatorship that regards all its opponents as class enemies and denies liberty and equality to those who differ, even peacefully. What the Communist Party means by the "united front" is made startlingly clear by Lenin

"If I as a Communist come out and call upon the workers to vote for the Hendersons against Lloyd George, they most certainly will listen to me . . . I shall also be able to explain that I wanted to support Henderson with my vote in the same way as a rope supports the hanged."

The only comment possible is that the Marxist\* tactic is the policy, and almost the only policy, that can establish, by reaction, a dictatorial Fascism in Britain. It is a policy advocated by John Strachey, who supported Oswald Mosley in the Labour Party and the New Party, and who is only one stage behind Sir Oswald in the frequency of his changes. His co-operation in the New Party was probably not as valuable to Mosley as is the opposition of this temperamental intellectual valuable to his late chief to-day. Mr. John Strachey has never done better work for Sir Oswald Mosley than by promoting the Communist movement. On its growth all Mosley's hopes—all fascist hopes in Britain—are fixed.

It lies in the spirit of Marxist dialectic to assert that Social Democracy can only pass to Communism through an intermediary period of swing to reaction and terror. It is a short stage to assert that a fascist dictatorship is decreed by fate. It is certainly a consideration of practical politics that for a communist dictatorship the

\* Here and throughout I assume that the Leninist interpretation of Marx is the only correct one. Mr. Cole's reinterpretation of Marx is, of course, in a different case, and will win agreement from many who repudiate Leninism. The alternative "orthodox" interpretation is a dogma already in an advanced stage of decomposition and smells of the nineteenth century. Socialism cannot be guided through its difficulties by such graveyard lights

best chance of success lies in the overthrow, by a revolt of the masses, of a fascist dictatorship. To be overthrown it must first be established

It is relevant to point out that the establishment of fascist dictatorships in the contemporary world appears to be all too easy. Their overthrow in Italy and Germany does not appear to be easy at all. The man or party that in fact pursues a line of behaviour that actually tends to the establishment of a fascist dictatorship bears an intolerable responsibility. That responsibility the Communist Party, and its supporters, appear to be prepared to take

The tactic of Marxism was adopted by a great party in Germany that offered only a pitiable resistance in crisis, whereas in social-democratic Vienna a very gallant, and politically far from fruitless, resistance was made. It is, moreover, a tactic that has been carried through, under infinitely more auspicious conditions than here, in Russia. It has yet involved, in Russia, persistent infringements of personal liberty such as did not accompany the revolutions of 1649, 1688, 1776 and 1832, and such as it is the frank object of Socialism in Britain to avoid.

The situation in Russia with a rotten, incompetent and tyrannous Czardom, bitterly oppressed proletariat, and avaricious peasantry, and a governmental system without confidence and staggering from the effect of defeat in war, is sharply different from that in Britain. The Communist Party usually declines to give practical recognition to this.

In summary, the immediate prospects for a British Fascist Movement are not favourable, but they are more favourable than those for a Marxist and revolutionary Communism. The first moral duty in revolution is to succeed. The Communists, as at present constituted, will not succeed. They, however, alone can arouse popular interest in fascist movements and give them publicity, the strength of numbers and the sinews of

finance. Indeed, the very Marxist hypothesis is that Fascism is the inevitable last stage of a Capitalism on the defensive. Such an hypothesis must be rejected unhesitatingly both as theoretically unwarranted and as practical suicide.

The events towards which Socialism pertinaciously moves forward are specific increases in happiness for ordinary men, by the control and rationalization, national and international, of our civilization. The great event is not necessarily "der Tag"—some day of barricades which is to be anticipated, whether it makes for the advance of the movement or not. That, as H. J. Laski has said, is mere Blanquism. An irresponsible, revolutionary "Left Wing infantilism" is treason to the Socialist Movement because, in fact, it endangers its success. Such a policy merits opposition—unflinching opposition until it changes.

(b) *In Relation to Liberalism.*—Co-operation with the Liberal Party is undesirable when it takes the path that leads to coalition and minority governments which sacrifice Socialist principles in dealing with the poverty problem. Co-operation, however, as with Communists, where loyal and honourable co-operation can be secured, is both possible and desirable on specific issues, such as the organization of opposition to chauvinism and dictatorship.\* The Socialist Party, fully as much as the Liberal, is inspired with a genuine dislike of despotisms, even if benevolent. It is not yet the case that "to achieve peace, liberty and social reform," members of the Labour Party should "be prepared to accept the presence of able Liberal leaders in a Labour cabinet," as Mr. A. L. Rowse is stated to have advocated at Oxford, in

\* The present writer has, on the one hand, been a signator, along with many leading Liberals, of the two manifestoes on Democracy, and, on the other hand, has served, under the chairmanship of Mr. Pethwick Lawrence, on the Dimitroff Committee for Political Prisoners along with certain Communists, as well as having spoken on a common platform on the subject of the Sedition Act to which, as a Jeffersonian, he objects as much as does any Communist.



August 1933. If these Liberal leaders are to remain Liberal, the only meaning of this phrase is the advocacy of a coalition which would probably issue in the break-up of the unity of the workers' movement. Such a policy can only serve, by spreading disappointment among Socialists, to strengthen insurrectionary Communism.

The fundamental question here must be one, not of minor party tactics that may safeguard able Liberals, but of so stating socialist principles that it is clear to any honest person that they spell the enlargement of substantial liberty for the common man. Such liberty to develop his powers and to contribute in the experiments of civilization is the only safeguard, in a technological civilization, against the rule of an irresponsible, if expert, bureaucracy. In such circumstances the course of such "unionists" as Major Nathan may be expected to be followed by a mass movement among Liberals. If such a course, whether or not as the consequence of Mr. Lloyd George's campaign, is taken by an entire group at one time, no Socialist will, of course, object.

The Socialist Movement affirms the existence of a class-structure based on profit-seeking in the present capitalist society; the human injustice and social inefficiency of that structure; and the divergence of economic class interests. It demands the achievement of a classless society in which only such differences shall be admitted as can be justified, as functional differences, from the point of view of social utility.

Liberalism has, in all public declarations, denied this social analysis, although many Liberal thinkers, such as J. S. Mill, Sismondi, and even Adam Smith himself, detected this clash. Hence Liberalism has, at the most, been content to impose, by law, certain restrictions within which the competitive game may go forward. It has lacked the courage to insist that the structure of society must not be so twisted that the disinterested pursuit of social good is subordinated to the power over their fellows of clever men, of speculative ability, in

their pursuit of private profits. Nor has it recognized the immorality of a society thus perverted by the lust of private gain, just as feudal society was perverted by pride of blood and of retinue.

On the other hand, honour is due to the great liberal tradition in that it has recognized the importance for civilization of free experiment. Fascism fundamentally supposes that human nature is bad. Liberalism supposes that it is normally good, and entitled to that experiment from which will flow progress in power, happiness and nobility. The task of government is to place a rational control on passions, irrational or anti-social, so that the man with something of skill or beauty to contribute to civilization is left at liberty to advance the weal of humanity. This free experimental mood must, however, be adopted also in the field of economic conduct, and in relation to the change of the capitalist order itself. This Liberalism has yet to recognize.

§ 5. *Personal Liberty*.—The Labour Party stands, without compromise, for the vindication of certain human values. Economic security is not ultimately worth purchasing at the price of liberty and manhood; it is precisely the pretence of Fascism that it is worth this sacrifice. Mr. Shaw, on the contrary, is serving up half-platitudes, sauced with perversity and garnished with publicity, as whole truths when he pretends that liberty is no more than money from the boss and hours in a cabbage garden. I do not say that many will not willingly pay the price, will not freely become slaves. I say that it is not good that they should pay this price, and that they should remain free to be free—free to remove their governors and free to be self-respecting citizens. Security in a job, health, bread and butter are pitifully needed by workers haunted, generation after generation, by fear. But fear must not be driven out by half-measures—by trading to men on horseback political power in return for bread and circuses. Liberty means bread, health—and power. Free choice and that self-

respect which builds independence are among the ultimate values of humanity. They are not means to any ulterior end, but are good in themselves.

It is no novel discovery that it is the peculiar disease of democracies to degenerate into dictatorships. That the degeneration is so customary, as the ancient masters of political science declared, does not make it the less a disease.

The final issue is this which matters more, freedom from starvation or freedom to choose one's masters? The alternative becomes momentous where those who offer freedom from starvation will do so only on condition that they are endowed with Caesarean powers. The answer that must be given is that freedom to choose one's masters matters so much that, for it, a brave and independent people will endure a taste of starvation—just as Russia endured it to overthrow capitalists and Czardom. When freedom to choose one's masters is sacrificed, no shred of guarantee remains that freedom from starvation for the weaker, for the common man, for the masses, will be maintained. The dictatorship passes on from the spectacular rule of Cæsars—Benito, Adolf and the rest—into the bloody chaos and anarchy which disfigured the later days of Rome.

In a "Brave New World," where human nature was so conditioned and changed that demand was always accorded a fit satisfaction by omniscient authority, liberty might be a term without meaning. In the competitive world that we know, of ambitious individuals, no power can safely be conferred without sueties and guarantees that it shall remain accountable. Government must not only be, but remain, a government that the majority wants. It must not only be installed, but be replaceable, by popular will, expressed by methods other than those of the pistol and the dagger. The majority, the popular will, can then look after the concrete liberties of health, food in the stomach, money in the pocket and time on the hands as it sees fit. It is the

major object of the Labour Party in Britain to assure not only economic security, but also political liberty, as conditions of civilized advance. Do not let us here be misled by Tory misrepresentation and by Tory advocates of the one-party "National" Government.

§ 6 *Parliamentary Democracy*—Parliament, as it exists to-day in Britain, is admittedly not a perfect instrument of the popular will, or even of the popular will enlightened by experts and the "men who know." The administrative expert plays a heavy part in the shaping of democratic government. Our Parliamentary system, additionally encumbered by feudal relics, has never been revised with a view to establishing a satisfactory co-ordination between the rôle of the expert and the rule of democracy.

A double problem confronts civilization and a double task awaits the Socialist Movement. On the one hand, the historical trend of democracy must be completed by the emancipation of the fourth estate, the class of the workers, and by the actualization of their freedom, not only through parliamentary, but also through industrial, democracy. There must be a classless society, where there is no arbitrary power of any one group of men over their fellows. We desire to develop political democracy into industrial democracy, so as to assure to the common man new reaches of freedom. We must win liberty for the workers, for the younger sons of civilization, for the men who go short. The essence of Socialism is the completion for man of his Rational liberty. On the other hand, the complexities of modern civilization, and the need so to control it by the use of available technical knowledge as to render our contemporary power of production a means of prosperity to the entire community, involve new conceptions of expert authority. The trend of modern civilization is technical. The social order must change shape with the economic reorganization. A functional society is demanded which will give adequate recognition to the social contribution, and key import-

ance, of skill. There must be honour and reward for the technician. Fascism offers the corporative state, but without democracy. Communism offers a classless and yet functional society—but by means that involve the ruin of the present technician groups. It is for Social Democracy to offer the just solution that means not reaction but progress, not blood but peace.

The desire for the free state, with its implicit anarchism, confronts the need for the expert state with its implicit authoritarianism. This is the new phase of the ancient problem of political balance. The solution would appear to be along the lines of assuring the free popular control of ultimate objectives, and that the appointed experts shall be drawn from those who accept *bona-fide* the aims which the bulk of the community has freely chosen. The task of "those who know" is, not to coerce as Commissars, but to persuade the community, where they differ from its choice of ends.

If this be true, then the broad case for the Parliamentary system, which is the distinctive system of this country, remains unshaken. It may perhaps be necessary to revise it in a unicameral direction; it may or may not be necessary ultimately to endow the courts, as in America, with the revising power over legislation. The anarchistic criticisms, however, of William Morris in *News from Nowhere*, the autocratic criticisms of Thomas Carlyle, and the criticisms of their successors to-day, alike remain a beating of the air. As is not infrequent in politics, opposite extremes meet.

The Parliamentary system makes three primary suppositions. The first, as Bryce emphasized, is a certain measure of agreement upon constitutional fundamentals. The second is the existence of a two-party system, so that the public not only has a choice, but a simple choice, and such a one as compels all of one party to go out of power, without chicane, when the alternative party goes into power. The offence of the MacDonaldites is that they do not observe this salutary

constitutional rule. The third condition is confidence that the system is so constructed as in no wise to prevent or place an obstacle in the way of the will of the majority of the electorate.

The agreement on constitutional fundamentals is challenged by the Marxists, who, as a consequence, become avowed anti-parliamentarians. If, however, the argument here urged is correct, political liberty is not only a prior stage, but a pre-condition, of assured economic liberty. Although, therefore, the profoundest difference may be possible concerning how liberty should be developed, a basis for agreement is provided between constitutional parties in the maintenance against dictatorships of existing liberties.

As touching the two-party principle, the entire historical evidence, and especially that in connection with Italian and German Fascism, would appear to point to the extreme danger to any Parliamentary system of the growth of a so-called "group system." Under such a system a minority enjoys the balance of power and, for the will of the electorate, the skill is substituted in the manufacturing of Cabinets, of "old parliamentary hands," such as Signor Giolitti. On these grounds, all specious substitution of the group system for the two-party system is to be regarded with suspicion. The place for groups is in the parties, not as parties. The present dissolution of the Liberal Party supporters into Conservatives and Labourites is a sound process for the future health of Parliamentary institutions. The Liberals, by insisting on maintaining a third party, are doing untold damage to their own constitutional beliefs. Only those essentially impotent people will find the party system intolerable who prefer the rôle of political scolds even to that of achieving their announced objectives.

An opposite error, equally dangerous, is Mr. Baldwin's advocacy of a "one-party" governance, by a coalition of existing constitutional parties under the hegemony of

the Tories. Such tactics, seeking to exclude Labour from power by party manoeuvres, actually destroy the constitution, with its two-party mechanism, and foment Communism.

As for the obstruction and perversion of the popular will, that wealthy newspaper proprietors control much of the information available to the public and colour the news in accordance with their own political opinions is not open to dispute. An intelligent man, however, interested in his position as a citizen and worker, is competent to form his own opinion on edited news, and can support newspapers free from a particular bias. He can discount the propaganda put abroad by rich men in certain organs of the Press and can allow for the dangers of a radio controlled by a corporate monopoly. The difficulty here is substantially one of lack of interest in political news, remediable by the vigour of a socialist campaign. The more fundamental difficulties are those of the employers' indirect, but often effective, control over the employees' vote and the obstructive power residing in the legislature of a non-elective house. England should be a land for Englishmen, not one governed for the benefit of profit-seekers in accordance with the prejudices of peers holding power, not on the ground of service, but of heredity. These two evils the Labour Party seeks to remedy.

Democracy is, at the present time, in transition—in the mid-stream of danger. We have preserved in England certain free traditions. Parliamentary reform must not take the shape of tampering with, or abolishing, Parliamentary democracy; but of elaborating those basic principles of balanced popular rule that the Parliamentary system, achieved by the blood of our fathers, enshrines. It may be necessary again in our history to resort to revolution, but the best preparation for this will not be to treat as negligible the experience and legacy of our past Revolutions.

§ 7. *The Objectives of Democratic Socialism.*—The Social-

ist Movement in Britain has quite specific and concrete objectives. It is not concerned with what Mr. Shaw calls "gassing about liberty", although it is well to recall Lenin's withering contempt for those who thought they could dispense with grounding in theory. The movement is empirical so far as it is concerned with what will in fact achieve those objectives, and not with some species of theological conversion, with some messianic deliverance from oppression, or with the gratification of emotions, envies and resentments. It is entirely true that, within the movement as a movement for an ideal, a fellowship may and should be developed which will gratify the religious desire to "find ourselves parts of a greater whole." It yet offers a common-sense programme for decent men of good-will.

The programme of specific reform is a matter for the Party Conference; and here is no place for more than the briefest of indications of what the workers of this country will, and are entitled to, demand. These demands will primarily be for things intimately affecting the everyday life of ordinary people.

The first of these demands is for adequate attention to the health of the nation. To combat neglected health and fear of economic ruin due to bad health, which are enemies of national efficiency and civilized human living, a free and better-organized service of advisory clinics, with free sanatoria, should be established. The health of the nation is a national charge, not a matter for private philanthropy. Free gymnasia should be provided by municipalities, just as now free swimming-pools are available. State support for the railways should be compensated by reduced holiday fares for factory workers and children. Countless men would be better citizens if they had better conditions of work and living. As human beings, members of one community with the rest, they are entitled to aid, when children, in order that they may co-operate in achieving for themselves those conditions when adults. Children should



not live terrified, to take an illustration from actual conditions, in rat-infested houses.

The prime fear of the worker is economic insecurity, due to trade depression or to personal accident. A system, not only of accident compensation, but of proportional accident pension, of an adequate nature, would remedy, in an important direction, a deficiency in our present system of social insurance. If workers owe to the State a duty to sacrifice their lives, as members of the community, in time of war, the State owes a reciprocal duty of security in time of peace. This provision can be afforded in Russia, which has not thereby ceased to be able economically to compete with other countries. If the British social system is better, *a fortiori* it should be able efficiently to make this provision.

Britain is a long way removed from a free educational system, but especially provision is needed for very small children and for technical training in connection with industry. The first is one of the most effective means of improving the health and aptitude of an entire generation. It forwards the abolition of that class snobbery which disfigures this country. The second is required if this commonwealth is to hold its industrial pre-eminence and if the catastrophe of the unemployment of young men in their adolescent years is to be avoided. If ability is to come to the top, it must be discovered by some such method.

Granted some form of centralized planning, the economic objections to these proposals, now raised by the friends of private profit, would be reduced, while the nation would be put upon a more athletic competitive basis in comparison with other nations. The condition of a country where traditional prosperity has rested on Free Trade and "the City," *i.e.* international finance, cannot be regarded with complacency at the present time. One of the immediate steps to this end is the establishment of an effective Economic Council or what

is termed, by Mr. Roosevelt's Administration, a National Resources Board

Electrification, which to-day is not a function of water-power, is not only desirable on an extensive scale as a step towards improved national industrial efficiency, but, carried through by a democratically-minded Government, can serve vastly to improve conditions in the home, which remains the first consideration of the average man. The same holds true of an overdue rebuilding campaign. The profits derived from such electrification, and from the centralization and social control, *e g* of the steel industry, must be placed to the credit of social service charges, and must primarily be earmarked for the benefit of those who may be thrown out of immediate employment by a vigorous policy of mechanization. Such a New Deal, if it is to be genuine and not a New Sell, is only likely to come from a Government that is not afraid of challenging vested interests and that believes in subordinating property to man.

"The essence of any struggle for healthy liberty has always been, and must always be, to take from some one man or class of men the right to enjoy power, or wealth, or position, or immunity, which has not been earned by service to his or their fellows."

Such social planning and control should give new scope for employment for the technician, professional and skilled worker and the man with managerial gifts. There is a further field in which these should find congenial employment. At present, socially needed developments do not take place in our colonies because they would not yield an early or sure profit and hence invite capital investments. Eminently these are fields for planning. The British Commonwealth, as much as Russia, is, over vast tropical areas, a backward country, which could have a boom of employment, comparable to the opening up of the American West, if resolutely

developed. The first requirement is an adequate colonial survey of natural resources.

Such development would immensely enhance the significance of the Commonwealth in the eyes of the ordinary citizen of Britain and the other Dominions. That Commonwealth may still enjoy (not least as part of the Anglo-Saxon world, and now as part of the socialist world) a preponderant rôle in the politics of the world against the Goebbels' gospel of blood and force. That rôle has its moral responsibilities, and demands a bold diplomacy ashamed not to honour the English name by leading in the establishment of collective securities, for the international suppression—if need be by the strong arm—of private war and mass butchery.

The task of politics is no more, and no less, empirical than that of medicine. It is an experimental art which is, nevertheless, governed by certain rules. There are natural laws of human nature as of human physiology. It goes ill with any politician or party that endeavours to defy them. On the contrary, our task is to examine this human nature and to inquire what it demands for its full development in a civilized humanity. If we do not make this inquiry, Fascists will. These demands are, in a very realistic sense, the rights of man. There are no rights deeper than these moral claims, with their psychological basis. The Government that, with pre-conceived or self-interested ideas, seeks to frustrate them, is preparing for itself a flood of discontent that ends, unless canalized in time by reform, in the onrush of revolution. The task of law is not to frustrate, but rationally to control this human nature with its insistent demands. The task of government is frankly experimental. These demands, in the context of the conditions of our age, Socialism formulates. The refusal to concede them can have only one termination.

The duty of responsible Englishmen is to engineer

channels of release for these human demands. The day is not far distant—it may well occur this year, it will certainly occur within a few years—when the Opposition will assume the responsibilities of government. It will then require, not only the obedience of all law-abiding citizens, but the collaboration of all good men and of all patriots in any significant sense. It will appeal to the citizen-democrat. The task admittedly is difficult. A fumbling and diffident policy will not aid in its accomplishment. The ends are rational. The means are matter for concerted discussion for the good of this country, even if they involve heavy sacrifices for particular groups. The duty of the patriot, who knows that the alternatives are revolution and dictatorship, is not to obstruct, but to contribute. The Conservative is doing no patriotic work who denies that there is any alternative to dictatorship save in the perpetuity of Tory Government. Mr. Baldwin should be cautious about taking his stand on statements that fit in so well with communist and fascist propaganda.

The basic supposition of any constitutional party—of any Labour Party—is that enough Englishmen of other parties will, in fact, recognize their duty and do it. If they do not, then the assumption must be abandoned, and the function of a Labour Party, as distinct from a Communist Party, is at an end in this land. The gangs will fight it out. The moral responsibility, therefore, of any party politician who, in the present circumstances, merely plays an obstinate or unscrupulous party game is too heavy to be contemplated. The consequences of such acts are written up in flaming examples across the length and breadth of Europe.

On the other hand, a Socialist Party that expects an honourable understanding to be maintained by others will maintain that understanding itself. It will make a clear declaration, before the Election, of the policy that it proposes to pursue. It will only act with a majority mandate. It will use its full constitutional powers, but

only those powers. It will afford the electorate the normal opportunity for re-endorsing or cancelling its mandate at the end of the pre-established five-year period

"The use of force without authority," said Locke, "puts him that urges it in a state of war." It breaks the presupposed tacit contract of majority government. Against such illegal force constitutional force will be used. Such force will be used in the defence of democracy and popular rights. It is not, however, to be anticipated that such an emergency will arise. Rather it is reasonable to hope that all loyal citizens, of goodwill, even if hesitant in their own judgment, will acquiesce in the majority decision and vigorously co-operate in making effective, without class rancour, the new deal for the advancement in this country of economic justice, of social equality and of the efficient uses of resources for the common happiness.

That anticipation may be falsified. The socialist repudiation of the communist analysis may be merely naively optimistic. No political action is possible without the risks of choice. If the socialist policy fails, having thus been clearly stated for men of all parties to note, with its cardinal hypothesis that understandings of honesty and honour will be observed, at least it will be written that Socialists trusted their countrymen. I do not think that the massacre of the Socialists in Vienna has done any harm to the cause of Social Democracy. It is cowardice, but not defeat, that revolts men's minds against a policy. If the Socialists fail, the field will be clear for communist insurrection against fascist dictatorship. Freedom and tolerance will be things of the past. It has yet, however, to be shown that Englishmen cannot be trusted to use and keep these things.

This country has the most mature political tradition in the Western World. Hitherto it has given political ideas; not received them. The British can make no claim to have made such contributions to civilization in

painting as the Italians, or in music as the Germans—or again, perhaps, in enterprise as the Americans, or psychological subtlety as the Russians. Their hitherto generally admitted contribution to civilization has been precisely the principles and art of politics. It has yet to be shown that Britain has lost this power of leadership and this talent for the settlement of disputes, the power of reconciling attachment to liberty with respect for popular authority, the power of maintaining responsible government by discussion instead of irresponsible government by force. The adventure of the next Socialist Government will be to test whether this genius for distinguishing essentials from non-essentials, and for solid and courageous advance, still lasts. Such a defence of democracy can show, better than any other act, the power of this country gloriously to contribute to the commonwealth of civilization and can best demonstrate its essential political greatness.